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10 **UNITED STATES DISTRICT COURT**
11 **NORTHERN DISTRICT OF CALIFORNIA**

12 IN RE ENOVIX CORPORATION
13 SECURITIES LITIGATION

Case No: 3:23-cv-00071-SI

CLASS ACTION

**SECOND AMENDED CLASS ACTION
COMPLAINT**

JURY TRIAL DEMANDED

14 This Document Relates To: All Actions

Lead Plaintiffs Gary Kung, Discovery Global Opportunity Master Fund Ltd., and Discovery Nymeria Master Fund, Ltd., and named Plaintiffs Robert G. Lee, and Traci Selke (collectively, “Plaintiffs”), individually and on behalf of all other persons similarly situated, by Plaintiffs’ undersigned attorneys, allege in this amended class action complaint the following upon knowledge with respect to their own acts, and upon facts obtained through an investigation conducted by their counsel, which included, inter alia: review and analysis of Defendants’ public statements, public documents, conference calls, and announcements, United States Securities and Exchange Commission (“SEC”) filings, and wire and press releases published by and regarding Enovix Corporation (“Enovix” or the “Company”) or Rodgers Silicon Valley Acquisition Corp. (“RSVAC”); media and analyst reports and advisories about the Company; interviews with confidential witnesses; information from related court filings; and information readily obtainable on the Internet. Plaintiffs believe that substantial evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery. Most of the facts supporting the allegations contained herein are known only to Defendants (defined below) or are exclusively within their control.

NATURE OF THE ACTION

1. Plaintiffs bring this action as a federal securities class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3), on behalf of a Class defined as all persons and entities that purchased the publicly traded common stock of Enovix or RSVAC between June 24, 2021 and October 2, 2023, both dates inclusive (“Class Period”).¹ Plaintiffs bring claims individually and on behalf of the Class pursuant to Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (“Exchange Act”).

2. Enovix is an early-stage technology company that purports to make a new type of lithium-ion (“Li-ion”) battery that is smaller and stronger than conventional Li-ion batteries. Enovix planned to sell its batteries to other companies that could incorporate the batteries into their consumer

¹ Excluded from the Class are: (a) persons who suffered no compensable losses; and (b) Defendants; the present and former officers and directors of the Company at all relevant times; members of their immediate families and their legal representatives, heirs, successors, or assigns, and any entity in which any of the Defendants, or any person excluded under this subsection (b), has or had a controlling or majority ownership interest at any time.

1 electronics and other products. However, simply developing advanced battery technology does not
2 generate revenues on its own. Enovix also had to develop the capabilities to manufacture its new
3 batteries at a large enough scale to satisfy the needs of its customers.

4 3. In February 2021, Enovix announced its plans to become a public company. Rather
5 than going public through a traditional (and more strictly regulated) initial public offering (“IPO”),
6 Enovix merged with RSVAC, a public special purpose acquisition company known as a “SPAC” or
7 “blank check” company (the “Merger”).

8 4. When the Merger was announced, Enovix set an “ambitious goal” to both develop its
9 own U.S.-based manufacturing line and to begin delivering products to customers (generating the
10 Company’s first product revenues) by the second quarter of 2022. To meet its projected revenues,
11 Enovix estimated it would need to manufacture one battery every two seconds, which would require
12 four manufacturing lines capable of producing 550 units per hour (“UPH”).

13 5. Enovix started the process of procuring custom manufacturing equipment for its first
14 production factory, “Fab-1,” in early 2020. Fab-1 was located in Fremont, California. To procure the
15 Fab-1 equipment, Enovix contracted with vendors who helped design and produce custom
16 manufacturing equipment. The development and production of a large portion of the Fab-1 equipment
17 was outsourced to Shenzhen Yinghe Technology Co. Ltd. (“Yinghe”), in China.

18 6. To govern the procurement of equipment from Yinghe, Enovix had an Equipment
19 Procurement Review (“EPR”) in place. An EPR is a document that authorizes funding to purchase
20 equipment from a vendor. The EPR lays out a set of parameters that must be met to complete the
21 purchase agreement, including requirements that the equipment pass critical quality tests before
22 Enovix accepted delivery.

23 7. Specifically, the Fab-1 equipment Enovix arranged to purchase from Yinghe had to
24 pass the Factory Acceptance Test (“FAT”). The FAT had specific criteria, based on a checklist
25 provided by Enovix, with certain performance and quality specifications that the equipment had to
26 meet in order to pass the FAT. The primary parameters the equipment had to meet under the FAT
27 were capacity – how many units the equipment could fabricate in a certain time (*i.e.*, UPH) – and
28

1 quality, including industry standard measures of production efficiency that measure how often good
2 units are produced at the maximum speed without interruption.

3 8. Per Enovix's EPR, the FAT also required that Enovix's engineers fly to China to
4 personally observe the equipment running at full speed during the FAT, to confirm that the equipment
5 was operating as intended. Due to Covid-19-related travel restrictions in late 2020 and early 2021,
6 Enovix's engineers were never permitted to travel to China to participate in the FAT.

7 9. The first FAT for the Yinghe-made Fab-1 equipment took place around November and
8 December 2020, with 3 or 4 iterations of testing spaced half a month to a month apart. The equipment
9 failed the FAT. In fact, the production yield that the equipment was able to muster was very low and
10 never got close to meeting Enovix's capacity specifications.

11 10. After the initial failed FAT, Yinghe continued working on the equipment and kept
12 testing for months, but to no avail. The Fab-1 equipment never passed the FAT requirements. Those
13 continued efforts and repeated testing extended through the final FAT that Yinghe conducted in April
14 2021, which the equipment failed yet again.

15 11. That is when Defendants Harrold Rust, Enovix's co-founder and Chief Executive
16 Officer ("CEO"), and Thurman J. Rodgers, RSVAC's CEO and Chairman and post-Merger Enovix's
17 Chairman, secretly decided to waive the requirement that the equipment – which had repeatedly *failed*
18 the FAT over the prior six months – *pass* the FAT *before* Enovix accepted delivery, and had it flown
19 to Fremont anyway. They planned to "catch up later" with continued improvement efforts and testing
20 after installing the equipment in Fremont. They spent \$1.4 million to prematurely fly over the
21 equipment so they could tell investors that the Fab-1 equipment had arrived and was installed as the
22 critical Merger was awaiting shareholder approval.

23 12. Of course, the problems with the Fab-1 equipment did not magically resolve upon
24 transporting it to California. First, Enovix's own engineers installed the equipment at Fab-1 without
25 the assistance of Yinghe's engineers, violating another requirement of the EPR called the Site
26 Acceptance Test ("SAT"). The SAT required Yinghe's engineers to travel to the United States and
27 help install and test the equipment, to *confirm* that it was still able to meet Enovix's specifications
28

1 after *passing* the FAT (which the equipment never did), and being disassembled, transported, and
2 reassembled at Enovix's facilities.

3 13. Enovix's engineers struggled for months to get the Fab-1 equipment operating at full
4 capacity, but their efforts failed. Eventually the Company agreed to pay for Yinghe's engineers to
5 travel to California and help work on and test the equipment. They fared no better. Enovix worked on
6 the equipment for months and months, but it simply never came close to reaching Enovix's capacity
7 and quality specifications.

8 14. By June 2022, the equipment was producing ***less than 10%*** of the expected production
9 rate. By December 2022, the Company managed to increase production to about 100 UPH, still a far
10 cry from the 550 UPH that formed the basis for Enovix's revenue projections. As a result, Fab-1 never
11 came remotely close to producing batteries at the rates and volumes necessary to support commercial
12 sales, rendering the Company's projected revenue timeline a mere fantasy.

13 15. Meanwhile, the Company's investors were kept in the dark. Defendants repeatedly
14 made false and misleading statements that omitted the material facts about the Fab-1 equipment's
15 repeated failures, failed tests, and waived EPR requirements.

16 16. For example, Defendants told investors that the Fab-1 equipment "must perform to
17 specification at the vendor's factory before shipment to Enovix" and touted the arrival and installation
18 of the equipment at Fremont, while omitting that Rust and Rodgers had waived that very requirement
19 and, in fact, the equipment had repeatedly failed to perform to anywhere near specification. Defendant
20 Rust boasted that, with respect to the Fab-1 equipment, "[w]e have a pretty rigorous set of both factory
21 and site acceptance things we have to go through and ***I would say there's no red flags there.***"

22 17. The truth finally began to come to light on November 1, 2022, when Enovix revealed
23 that it had realized just *eight thousand dollars* in revenue in the third quarter of 2022. Moreover, it
24 revealed that it would be "dialing back" its work on improving the "Gen1" lines at Fab-1 in favor of
25 shifting its focus to its future "Gen2" lines (to be installed at future planned production facilities)
26 because the "improvements" to Fab-1 that they had vaguely alluded to previously were not having
27 the desired results. Consequently, Enovix "anticipate[d] achieving lower overall output from Fab-1
28 in 2023." In fact, Enovix revealed that it anticipated producing fewer than one million batteries in

1 2023—only a small fraction of the quantity it would produce if it were in fact manufacturing one
2 battery every two seconds and running multiple lines at 550 UPH, as originally projected.

3 18. This news shocked the market, as Enovix’s share price fell \$7.46, a 41% decline.

4 19. A few days later, Enovix announced that Rodgers would assume the role of Executive
5 Chairman. In a public statement, Rodgers admitted that “[w]e have poorly communicated on the status
6 of Fab-1” and partially revealed that he and Rust had waived the FAT (without disclosing the repeated
7 failed tests before and after the waived FAT). Despite the production delay, Rodgers misleadingly
8 assured investors that “Fab-1 is going to work and ship a lot of batteries to our customers.”

9 20. On January 3, 2023, Rodgers gave a special presentation for investors. During the
10 presentation, Rodgers directly addressed the Company’s “lack of clear and transparent investor
11 communications” concerning Fab-1, “that led some of our investors to say we’re outright dishonest
12 with them.” Rodgers conceded that “*I think they were reasonably misled.*”

13 21. Rodgers also revealed that the first production line at Fab-1 “is nonfunctional for
14 automation point of view. That means its rated capacity of 550 UPH is really more like 100, and
15 obviously, that wreaks havoc with output and promises.” Rodgers explained that Fab-1 was only able
16 to produce one battery every 72 seconds, and that “we don’t think that machine if we worked on it
17 forever would be over 200.” Due to the problems with the manufacturing equipment at Enovix’s Fab-
18 1 facility, Rodgers conceded that Fab-1 was “doing less than 10% of what it should be doing.”

19 22. On this news, Enovix’s share price dropped another 41%, falling \$4.97 per share.

20 23. Finally, on October 3, 2023, Enovix announced that it was abandoning commercial
21 production operations at Fab-1 altogether, laying off 185 workers and writing off \$36 million of Fab-
22 1 manufacturing equipment. Not only were the “improvements” to the Fab-1 equipment moving
23 slower than expected, and the equipment running at a fraction of its intended capacity, but after years
24 of failed testing and attempted improvements, the Company was finally forced to admit it had
25 completely failed to achieve the long-touted commercial capabilities of its production lines at Fab-1.

26 24. On this news, Enovix’s share price fell 13%, or \$1.51 per share.

27 25. As a result of Defendants’ violations of the securities laws, Plaintiffs and the Class
28 suffered significant damages, losing a significant portion of the value of their investments.

JURISDICTION AND VENUE

26. The claims asserted herein arise under and pursuant to Sections 10(b) and 20(a) of the Exchange Act (15 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. § 240.10b-5).

27. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § 1331 and Section 27 of the Exchange Act (15 U.S.C. § 78aa).

28. This Court has jurisdiction over each defendant named herein because each defendant has sufficient minimum contacts with this District so as to render the exercise of jurisdiction by this Court permissible under traditional notions of fair play and substantial justice.

29. Venue is proper in this judicial district pursuant to 28 U.S.C. § 1391(b) and Section 27 of the Exchange Act (15 U.S.C. § 78aa(c)) because the alleged false and misleading public filings and statements were made in or issued from this District and the Company's headquarters are located in this District.

30. In connection with the acts, transactions, and conduct alleged in this complaint, Defendants, directly and indirectly, used the means and instrumentalities of interstate commerce, including but not limited to, the United States mail, interstate telephone communications, the Internet, and the facilities of a national securities exchange.

PARTIES

31. Lead Plaintiff Gary Kung ("Kung"), as set forth in his certification on file with the Court (Dkt. No. 17-3) and incorporated by reference herein, purchased Enovix common stock at artificially inflated prices during the Class Period and was damaged thereby.

32. Lead Plaintiff Discovery Global Opportunity Master Fund Ltd. ("Discovery Global"), as set forth in its certification on file with the Court (Dkt. No. 7-2) and incorporated by reference herein, purchased Enovix common stock at artificially inflated prices during the Class Period and was damaged thereby.

33. Lead Plaintiff Discovery Nymeria Master Fund, Ltd. ("Discovery Nymeria"), as set forth in its certification on file with the Court (Dkt. No. 7-2) and incorporated by reference herein,

1 purchased Enovix common stock at artificially inflated prices during the Class Period and was
2 damaged thereby.

3 34. Named Plaintiff Robert G. Lee, as set forth in his certification on file with the Court
4 (Dkt. No. 84-1) and incorporated by reference herein, purchased the Company's common stock at
5 artificially inflated prices during the Class Period and was damaged thereby.

6 35. Named Plaintiff Traci Selke, as set forth in her certification on file with the Court (Dkt.
7 No. 84-2) and incorporated by reference herein, purchased the Company's common stock at
8 artificially inflated prices during the Class Period and was damaged thereby.

9 36. Defendant Enovix is a Delaware corporation with principal executive offices located
10 in Fremont, California. The Company's common stock trades on NASDAQ under the ticker symbol
11 "ENVX."

12 37. Defendant Harrold Rust co-founded Enovix in November 2006 and served as the
13 Company's CEO and President from the Company's founding until December 29, 2022. Rust also
14 served as Chairman of Enovix's board of directors prior to the Merger and as a member of Enovix's
15 board of directors following the Merger.

16 38. Defendant Steffen Pietzke has served as Enovix's Chief Financial Officer ("CFO")
17 since joining the Company in April 2021.

18 39. Defendant Thurman J. Rodgers has served on Enovix's board of directors since 2012.
19 He also served as the CEO and Chairman of the Board of RSVAC from its creation in September
20 2020 through the Merger. Rodgers was named as the incoming Chairman of the Board of Enovix in
21 the Proxy Statement. On November 7, 2022, Rodgers was elevated from his position as Chairman of
22 the Board to Executive Chairman of Enovix. Rodgers held 21.4 million shares of Enovix stock as of
23 November 7, 2022.

24 40. Defendant Emmanuel T. Hernandez served as RSVAC's CFO and a member of
25 RSVAC's board of directors at all relevant times prior to the Merger. Hernandez was also named as
26 an incoming director of Enovix, and the chairman of its audit committee, in the Proxy Statement.

41. Defendant Lisan Hung served as RSVAC's Corporate Secretary and a member of RSVAC's board of directors and its audit committee since December 1, 2020, and at all relevant times prior to the Merger.

42. Defendant Steven J. Gomo served as a member of RSVAC's board of directors and its audit committee chairman since December 1, 2020, and at all relevant times prior to the Merger.

43. Defendant John D. McCranie served as a member of RSVAC's board of directors since December 1, 2020, and at all relevant times prior to the Merger. McCranie was also named as an incoming director of Enovix, and a member of its audit committee, in the Proxy Statement.

44. Defendant Joseph I. Malchow served as a member of RSVAC's board of directors and its audit committee since December 1, 2020, and at all relevant times prior to the Merger.

45. Defendant Betsy Atkins served as a member of Enovix's board of directors since January 2021 and was named as an incoming director of Enovix in the Proxy Statement.

46. Defendant Pegah Ebrahimi served as a member of Enovix's board of directors since November 8, 2021.

47. Defendant Gregory Reichow served as a member of Enovix's board of directors since November 2020. Reichow was also a member of RSVAC's Technical Advisory Board prior to the Merger. Reichow was named as an incoming director of Enovix in the Proxy Statement.

48. Defendants Rust, Pietzke, Rodgers, Hernandez, Hung, Gomo, McCranie, Malchow, Atkins, Ebrahimi, and Reichow are collectively referred to herein as the "Individual Defendants."

CONFIDENTIAL WITNESSES

49. Plaintiffs' investigators spoke with former employees of the Company who have personal knowledge of the facts alleged and attributed to them in this Complaint.

50. Former Employee 1 ("FE1") worked as a Production Manager for Enovix from October 2020 to December 2021. FE1 worked at Enovix's facility in Fremont, California, and reported to Dan Kistner, Enovix's Director of Manufacturing Operations. FE1 was in charge of the pilot line that assembled prototypes of Enovix's Li-ion batteries.

51. Former Employee 2 ("FE2") worked as a Project Manager for Enovix from September 2020 to early 2024. FE2 worked for Enovix in China, overseeing the process through which Enovix

1 outsourced the manufacturing of Fab-1 equipment to Yinghe. FE2 oversaw the entire process from
2 producing the equipment to conducting the FAT. FE2 conducted daily teleconferences with Enovix
3 to provide updates on the assembly and tuning progress of battery packaging and formation
4 production lines at Yinghe's facility, located in the Huizhou, Guangdong province of China. FE2's
5 responsibilities also included summarizing technical issues, facilitating communications between
6 Chinese (Yinghe) and American (Enovix) engineers, and ensuring the timely delivery of machinery.

7 52. Former Employee 3 ("FE3") worked as a Senior Director of Operations for Enovix
8 from October 2021 to November 2022. FE3 worked at Enovix's facility in Fremont, California, and
9 reported to Boris Bastien, Enovix's Vice President of Operations. According to FE3, FE3 and Bastien
10 were brought in by Enovix specifically to bring the Company's Fab-1 line to the mass production
11 level it was designed for, at a full commercial manufacturing volume.

12 53. Former Employee 4 ("FE4") worked as a Senior Program Manager – New Product
13 Introduction for Enovix from August 2021 to September 2022. FE4 worked at Enovix's facility in
14 Fremont, California, and reported to Florence Chen, Enovix's Senior Director – New Product
15 Introduction. FE4 served as the liaison between Enovix and prospective customers during the
16 qualification process for battery products. FE4 communicated with prospective customers about their
17 custom battery products and applications.

18 54. Former Employee 5 ("FE5") worked as a Senior Principal Equipment Engineer for
19 Enovix from September 2020 to March 2021. FE5 previously worked for Enovix as a Principal
20 Equipment Engineer from April 2019 to September 2020. FE5 worked at Enovix's facility in
21 Fremont, California. FE5 was involved as a manufacturing equipment engineer with Enovix's Fab-1
22 line.

23 55. Former Employee 6 ("FE6") worked as a Controls Engineer for Enovix from June
24 2022 to December 2022. FE6 worked at Enovix's facility in Fremont, California. FE6 worked on
25 improving output for manufacturing equipment at Enovix's Fab-1 facility. FE6's responsibilities also
26 included supporting process engineers who were working on improving the percentage of batteries
27 made by the Fab-1 equipment that successfully met the Company's design specifications.

28

56. Former Employee 7 (“FE7”) worked as a Manufacturing Manager for Enovix from October 2020 to December 2021. FE7 worked at Enovix’s facility in Fremont, California, and reported to Shane Kistner, Enovix’s Operations Manager (and the son of Dan Kistner, Enovix’s Director of Manufacturing Operations). FE7 was originally hired to work on Fab-1 production lines, and then transitioned to work on improving the “yield” of the Company’s pilot line. “Yield” refers to the number of batteries that meet specifications out of the total number of batteries produced. FE7’s responsibilities also involved relaying information gleaned from working on the pilot line to other employees working on Fab-1 to support their efforts to increase the yield on Fab-1. FE7 regularly communicated with engineers working to improve the yield of Fab-1 production lines.

57. Former Employee 8 (“FE8”) worked as a Senior Director – Equipment Engineering for Enovix from October 2018 to August 2021. FE8 worked at Enovix’s facility in Fremont, California, and reported to Neal Sarswat, the Company’s Director of Engineering, who reported directly to Rust. FE8’s responsibilities at Enovix involved sourcing the manufacturing equipment for, and working on the construction of, the Company’s Fab-1 facility in Fremont, and overseeing the remodeling of the Fremont facility in preparation for installing the Fab-1 production line.

58. Former Employee 9 (“FE9”) worked as a Senior Logistics Manager for Enovix from October 2021 to December 2023. FE9 worked at Enovix’s facility in Fremont, California, and reported to Tae Chang, the Company’s Senior Director of Procurement. FE9’s responsibilities at Enovix included the management of shipping and receiving logistics for the Company’s Fremont facility, which included manufacturing equipment.

COMPANY BACKGROUND

RSVAC and the De-SPAC Merger with Enovix

59. RSVAC was a public special purpose acquisition company, also known as a “SPAC” or “blank check” company. A SPAC is a public shell corporation whose lone stated purpose is to acquire a private company. RSVAC was formed in September 2020, per its initial registration statement, “for the purpose of effecting a merger, share exchange, asset acquisition, share purchase, reorganization or similar business combination with one or more businesses or entities.”

1 60. RSVAC's initial registration statement stated that "given the experience of our
2 management team, our acquisition and value creation strategy will be to identify, acquire, and build
3 a Silicon Valley-based technology company with applications in the energy or industrial sectors."

4 61. RSVAC completed its IPO of 23 million "Units" at \$10.00 each on December 4, 2020.
5 Each Unit consisted of one share of RSVAC common stock and one half of a redeemable warrant.
6 One full warrant entitled the holder to purchase one share of RSVAC's common stock for \$11.50.
7 Prior to the Merger, RSVAC's common stock, Units, and warrants traded on NASDAQ under ticker
8 symbols RSVAC, RSVACU, and RSVACW, respectively. RSVAC's IPO generated gross proceeds of
9 \$230 million, which was placed into a trust account for the purpose of redeeming shares or, in the
10 event of a successful business combination, contributing capital to the acquired operating company.

11 62. As RSVAC's Chairman and CEO, Rodgers had a significant financial incentive to find
12 a target company, acquire it, and maintain the company's stock price after the transaction. On
13 September 24, 2020, RSVAC issued 5,750,000 shares of common stock (the "Founder Shares") to an
14 entity controlled by Rodgers (Rodgers Capital LLC), for an aggregate purchase price of \$25,000.
15 Rodgers agreed not to sell the shares until the earlier to occur of: (A) one year after the completion of
16 a "Business Combination" (such as the Merger) or (B) subsequent to a Business Combination, if the
17 last reported sale price of the company's common stock equaled or exceeded \$14.00 per share for any
18 20 trading days within any 30-trading day period commencing at least 150 days after the Business
19 Combination. At \$14 per share, Rodgers stood to gain \$80 million upon selling those shares.

20 63. By December 2020, RSVAC had identified Enovix as one of ten potential acquisition
21 candidates. RSVAC's board concluded that Enovix met most of their criteria and presented the best
22 probability for a business combination. According to the Proxy Statement (defined below), the
23 RSVAC Board conducted numerous due diligence sessions with Enovix senior management and staff
24 members between December 16, 2020 and February 11, 2021, including weekly meetings to report
25 and review progress on due diligence efforts. Per the Proxy Statement, before reaching its decision,
26 "the RSVAC Board of Directors discussed the material results of its due diligence activities with
27 respect to Enovix, which included extensive meetings and calls and detailed review of: ... factory
28

1 configuration, capacity utilization models, throughput of the factory, the level of automation, yields,
2 manpower plans and detailed cost models....”

3 64. On February 22, 2021, RSVAC and Enovix entered into a merger agreement in what
4 is known as a “de-SPAC” transaction. The press release announcing the Merger explained that the
5 de-SPAC was expected to close in the second quarter of 2021.

6 65. On June 24, 2021, the Company issued a Proxy Statement and Prospectus (a single
7 document bearing both titles) soliciting shareholder approval of the Merger between RSVAC and
8 Enovix, as well as other proposals related to the Merger (“Proxy Statement”). The Company also filed
9 the Proxy Statement with the SEC on Form 424B3 on the same date. The Proxy Statement was
10 incorporated into and formed part of a Registration Statement filed by RSVAC with the SEC on Form
11 S-4. The Registration Statement was filed on March 8, 2021, and declared effective, after a series of
12 amendments, on June 24, 2021. The Registration Statement was signed by Defendants Rodgers,
13 Hernandez, Gomo, McCranie, Hung, and Malchow.

14 66. The Proxy Statement stated that “the disinterested members of the board of directors
15 of RSVAC [*i.e.*, excluding Rodgers] have unanimously approved and adopted the Merger Agreement
16 and the transactions contemplated therein and unanimously recommends that RSVAC stockholders
17 vote ‘FOR’ adoption and approval of the Business Combination Proposal, ‘FOR’ the Nasdaq
18 Proposal, ‘FOR’ the Directors Proposal, ‘FOR’ the Charter Amendment Proposal, ‘FOR’ the
19 Advisory Proposals and ‘FOR’ the Incentive Plan Proposals presented to RSVAC stockholders in this
20 proxy statement/prospectus, and ‘FOR’ the Adjournment Proposal, if presented.”

21 67. After receiving the Proxy Statement, RSVAC’s stockholders approved the de-SPAC
22 Merger with Enovix at a special meeting held on July 12, 2021.

23 68. The Merger was effected by the merger of an RSVAC subsidiary with and into pre-
24 Merger Enovix, with Enovix surviving the combination as a wholly owned subsidiary of RSVAC.
25 Following the consummation of the Merger, RSVAC changed its name to Enovix Corporation and
26 pre-Merger Enovix changed its name to Enovix Operations Inc. Each outstanding share of pre-Merger
27 Enovix common stock was converted into the right to receive a number of shares of the Company’s
28 common stock at a conversion ratio set forth in the merger agreement, and all outstanding warrants

1 and options to purchase pre-Merger (private) Enovix common stock were converted into warrants and
2 options to purchase a number of shares of post-Merger (public) Enovix common stock, as set forth in
3 the merger agreement.

4 69. Prior to, and but for, the consummation of the Merger, RSVAC's shareholders were
5 entitled to redeem their shares for a *pro rata* portion of the trust account funds, which was
6 approximately \$10 per share at the time of the Merger. The Merger closed on July 14, 2021, with the
7 Company's stock trading at slightly over \$20 per share.

8 70. Concurrent with the Merger agreement, RSVAC also entered into a Private Investment
9 in Public Equity ("PIPE") financing agreement, whereby RSVAC agreed to issue and sell, in a private
10 placement to close immediately prior to the closing of the Merger, 12.5 million shares of RSVAC
11 common stock for \$14.00 per share, for a total of \$175 million.

12 71. Accordingly, between the SPAC holdings (which would be contributed to the post-
13 Merger Company) and PIPE financing, the de-SPAC Merger with RSVAC presented Enovix with an
14 influx of \$405 million in cash that it desperately needed to finance Enovix's ongoing operations and
15 the build-out of its manufacturing capabilities.

16 72. As the Proxy Statement explained:

17 Enovix has incurred losses since inception and has an accumulated
18 deficit of \$223.4 million. These conditions raise substantial doubt
19 about Enovix's ability to continue as a going concern. The ability to
20 continue as a going concern is dependent upon generating profitable
21 operations in the future and/or obtaining the necessary financing to
22 meet Enovix's obligations and repay its liabilities arising from normal
23 business operations when they become due. Enovix believes that the
24 successful completion of the Business Combination will eliminate this
25 doubt and enable Enovix to continue as a going concern.

23 **Enovix Had to Manufacture Batteries at Commercial Levels to Generate Revenues**

24 73. Enovix is an early-stage technology company that develops and manufactures a new
25 type of Li-ion battery that is purportedly smaller and stronger than existing Li-ion batteries. It does
26 so by using silicon anodes and a proprietary 3D stacking architecture that Enovix claims increases
27 energy density and helps the batteries maintain a high cycle life.
28

1 74. Enovix claims that its new Li-ion battery lasts longer than conventional Li-ion
2 batteries and is five years ahead of current industry production.² Specifically, by designing a Li-ion
3 battery that deploys a silicon anode, and constructing the battery using 3D battery cell architecture,
4 Enovix claimed to be able to manufacture Li-ion batteries with 27%-110% higher energy density as
5 measured by battery power (in watts) and battery size (in volume). In essence, Enovix claimed it
6 could make a smaller, stronger Li-ion battery.

7 75. Enovix started developing its technology in early 2007 at a small facility in Fremont,
8 California. In 2012, Enovix moved to a larger facility in Fremont and began work on the
9 manufacturing approach and plans for its products. Between 2012 and 2017, Enovix procured and
10 installed pilot production equipment that could produce small quantities of Li-ion batteries to provide
11 to potential customers as samples, but not at commercially viable levels.

12 76. According to the Proxy Statement, at the time of the Merger Enovix was “a
13 development stage company that has no product revenue to date and has incurred a net loss of \$39.7
14 million for the year ended December 31, 2020 and \$16.2 million for the period ended March 31, 2021.
15 As of March 31, 2021, [Enovix] had an accumulated deficit of \$223.4 million.” Enovix needed outside
16 financing to fund its continued operations, and it needed to build and scale up its manufacturing
17 capabilities in order to generate sustainable revenues from selling its batteries.

18 77. When the Merger was announced, Enovix set an “ambitious goal” to both develop its
19 own U.S.-based manufacturing line and to begin delivering products to customers (generating the
20 Company’s first product revenue) by the second quarter of 2022. In February 2021, Enovix told
21 investors the rate of manufacturing output that would be necessary to meet its projected revenues.
22 Specifically, Enovix estimated it would manufacture one battery every two seconds, which would
23 require four manufacturing lines capable of producing 550 UPH.

24
25
26 _____
27 ² According to the Proxy Statement, based on “a 30-year Li-ion battery industry trajectory of modest
28 (4.36%) annual Li-ion battery energy density improvements... and Enovix’s estimated greater energy
density of at least 27%, it would require five years for the industry to reach energy densities equivalent
to Enovix’s current batteries.”

1 78. Enovix’s CEO, Defendant Rust, stressed the importance of manufacturing when the
2 Company went public. In a July 14, 2021 press release, Rust stated that Enovix was “focused on
3 producing the first advanced silicon-anode lithium-ion battery for mass market applications from our
4 U.S. manufacturing facility.” Defendant Rodgers added: “We believe that Enovix will be the first to
5 deliver at scale due to its proprietary 3D cell architecture, world-class team and automated
6 manufacturing. With five design wins with major technology leaders, Enovix is years ahead of other
7 battery companies. Even better, it has a plan to maintain that lead.”

8 79. Although Enovix had previously produced and delivered sample batteries using its
9 pilot production line, the pilot line produced only 20 batteries per day—nowhere near the amount
10 needed to support commercial sales operations. Building a commercial-scale production facility was
11 therefore critical to producing batteries at a commercially viable level and meeting revenue
12 projections.

13 80. Enovix planned to sell its new battery to Original Equipment Manufacturers
14 (“OEMs”), who would incorporate the battery into consumer electronics such as smart watches,
15 virtual reality headsets, laptop computers, mobile phones and electric vehicles. To realize these sales
16 and monetize its proprietary technology, Enovix had to be able to reliably manufacture its new
17 batteries at a large enough scale to satisfy the needs of its customers. To borrow the Company’s own
18 words, it hoped to “evolve from a company focused predominantly on R&D to a company capable of
19 volume production and commercialization.”

20 81. In order to sell its new Li-ion batteries, Enovix had to have them “qualified” by the
21 OEMs. Through the qualification process, OEMs would try the newly designed batteries in their own
22 consumer products to ensure that they functioned as intended. If the batteries functioned as
23 represented, OEMs would design their consumer products to incorporate the new Li-ion batteries.
24 However, before designing their consumer products for compatibility with the new batteries, OEMs
25 needed assurance that Enovix could manufacture quality batteries in the quantities needed to satisfy
26 their own production needs. If Enovix could demonstrate its ability to do so, OEMs would place
27 purchase orders commensurate with large-scale consumer product manufacturing.

28

1 82. For example, if a manufacturer of smart watches wanted to incorporate Enovix's new
2 batteries into its watches, it might re-design its watches to be compatible with the new battery. Before
3 undertaking that investment it would need assurance that Enovix could reliably manufacture enough
4 batteries in time to meet the watchmaker's own production needs. Thus, if the smart watch
5 manufacturer intended to make one million smart watches with Enovix's new batteries, it would need
6 to know that Enovix could reliably and timely supply one million commercial-grade batteries.
7 Otherwise, the smart watch manufacturer would not invest in redesigning its watches to work with
8 the new batteries.

9 83. Before an OEM would "qualify" Enovix's new Li-ion battery, Enovix had to provide
10 them with batteries manufactured on the same production line that would be used to fill the order—
11 not the pilot line. Enovix also had to demonstrate that the same manufacturing facility it would use to
12 fill the order was able to produce a sufficient number of batteries to timely fill a customer's purchase
13 order. Thus, Enovix needed to have a functioning manufacturing line meeting mass production
14 specifications before it could begin generating revenue from product sales and meeting its financial
15 projections.

16 84. FE4 confirmed that the qualification process involved a number of steps. One early
17 step was to prove to the customer that the Fab-1 line could manufacture a batch of batteries to meet
18 that customer's unique design specifications. The next step involved ramping up manufacturing to
19 prove that Enovix could produce large quantities of the battery that also met the customer's
20 specifications. For example, in this high-volume qualification step, a customer would ask Enovix to
21 produce 10,000 or 20,000 batteries by a certain date that the customer would then test themselves to
22 ensure the products met the customer's specifications.

23 **The Factory Acceptance Test and Site Acceptance Test Were Critical Steps**
24 **in Procuring New Manufacturing Equipment**

25 85. Manufacturing a new product—like a newly designed battery—that has never before
26 been manufactured is a complex process because it requires custom-designed manufacturing
27 equipment. Such custom equipment, designed and produced by engineers at equipment vendors, has
28 countless opportunities for "bugs" and other errors. To reduce those errors, companies purchasing

1 newly designed manufacturing equipment have equipment procurement protocols (*i.e.*, an EPR) that
2 include two key quality control tests: the FAT and SAT. These tests are designed to ensure that the
3 new manufacturing equipment meets performance requirements, and to mitigate the significant risks
4 that the equipment will not perform as needed.

5 86. The FAT is performed offsite at the equipment vendor's factory to make sure that the
6 equipment is designed properly, functions correctly, and meets the customer's specifications. To
7 conduct the FAT, the new manufacturing equipment is set up at the vendor's factory and tested in
8 accordance with a detailed plan agreed upon by the purchaser and the equipment vendor.

9 87. FE9 confirmed that with a typical FAT, the customers sends its engineers to the
10 vendor's factory to assist with the testing and ensure that the manufacturing equipment meets the
11 agreed-upon specifications for the FAT. This is so the vendor's engineers can share firsthand with the
12 customer's engineers all relevant information about the equipment and how it works. According to
13 FE9, if the equipment fails to meet the FAT specifications set out in the contract, it is not shipped to
14 the customer.

15 88. The ultimate objective of the FAT is to ensure that the equipment can operate at the
16 speeds and quality necessary to meet the customer's manufacturing needs. In the event that the FAT
17 reveals manufacturing deficiencies, they can be corrected faster and much more easily and cheaply at
18 the vendor's facilities. Once the equipment is shipped out and installed in the buyer's factory, it
19 becomes much more time-consuming, costly, and difficult to fix problems with the equipment.
20 Conducting the FAT greatly reduces the risk that manufacturing equipment will not produce as
21 designed and paves the way for on-site troubleshooting *before* the equipment is transported and
22 installed at the customer's facility.

23 89. The first step in conducting the FAT is a written plan detailing all of the customer's
24 specifications and what level of equipment performance is needed to meet the customer's
25 expectations. The parties agree on an inspection plan and a set of procedures. Manufacturing data is
26 recorded by the equipment vendor to verify that it meets the customer's specifications, and the data
27 are shared with the customer for review.

28

1 90. FE5 and FE9 confirmed that the specific parameters to be used in the FAT are set at
2 the time the purchase agreement is negotiated between the equipment purchaser and the vendor.
3 According to FE5, the criteria for what will be tested during the FAT and SAT are typically agreed
4 upon about one year prior to when the tests are conducted. While changes can be made to the criteria,
5 that would have to be negotiated between the purchaser and vendor. The FAT is performed once the
6 equipment has been built and assembled by the vendor to show that the machinery is performing to
7 specifications of the purchase contract.

8 91. The SAT is the next critical quality control procedure. It provides an opportunity to
9 confirm that the performance experienced during the FAT can be replicated after the equipment is
10 installed and configured at the customer's site. Typically, the working conditions at the equipment
11 vendor's facility are not the same as the working conditions at the customer's facility. The SAT
12 requires the equipment to run through an actual production at the customer's facility.

13 92. To conduct the SAT, the equipment vendor sends representatives—typically the same
14 engineers who designed the system and conducted the FAT—to install the equipment, configure it,
15 conduct tests, and verify that the equipment operates correctly. The SAT ensures that the equipment
16 is installed correctly and is properly integrated with the customer's supporting systems, like computer
17 networks, and makes sure the equipment is still able to perform up to the customer's specifications.
18 If production or quality problems are detected at the SAT, after the equipment passed the FAT, the
19 equipment vendor has the responsibility to resolve it.

20 93. FE5 explained that in the manufacturing industry, conducting the FAT and SAT on
21 new equipment is "all risk mitigation." FE5 confirmed that with respect to the FAT, "you want to test
22 [new manufacturing equipment] at the factory because it's cheaper to fix it at the factory than at your
23 site," and for the SAT, testing the equipment to ensure it is working properly upon delivery, "is easier
24 to do before the integrators (suppliers) go home." As FE5 explained, "if you skip the tests (FAT and
25 SAT), you're not mitigating the risks."

26 94. The FAT and SAT were of particular importance for Enovix's Fab-1 equipment
27 because Enovix planned to sell its batteries to OEMs. Before an OEM would even enter into a sales
28 contract with Enovix, the Company had to demonstrate through the qualification process that it could

1 manufacture batteries to the OEM’s specifications, at a high volume. This high-volume production
 2 was required to be done on the actual line that would be used to fill the OEM’s order, not a pilot line.
 3 And before Enovix’s production line could be up and running—especially at the high volume
 4 necessary to complete the qualification process— it had to pass the FAT and SAT. Thus, successful
 5 completion of the FAT and SAT were key milestone events for Enovix in its path to generating
 6 revenue from product sales and meeting its financial projections.

7 **THE COMPANY’S FAB-1 EQUIPMENT PERSISTENTLY FAILED**
 8 **TO MEET SPECIFICATIONS**

9 **The Company’s EPR Required the Fab-1 Equipment to Pass the FAT Before Enovix**
 10 **Accepted Delivery of the Equipment, But it Repeatedly Failed the FAT**

11 95. Per the Proxy Statement, Enovix started procuring equipment for its first production
 12 factory, Fab-1, in 2020. To procure the manufacturing equipment needed to outfit its Fab-1 facility,
 13 Enovix contracted with vendors who helped design and produce custom manufacturing equipment.

14 96. The Fab-1 production lines comprised of four “areas” where different parts of the
 15 battery manufacturing process would take place: Electrode Fabrication, Assembly, Packaging, and
 16 Testing and Formation. Each of the areas were critical to complete the manufacturing process, such
 17 that all of the production areas must be running at full speed in order for Fab-1 to produce quality
 18 batteries at the specified rates.

19 97. According to both FE9 and FE2, the production of a large portion of the Fab-1
 20 equipment, the critical areas of the production lines used for battery Assembly and Packaging, were
 21 outsourced to Yinghe. Yinghe is located in Huizhou, in the Guangdong province of China.

22 98. FE9 reported that Enovix had an EPR in place with Yinghe long before the equipment
 23 was delivered from Yinghe to Enovix. Based on FE9’s general familiarity with EPRs in the industry,
 24 FE9 concluded that FE9’s supervisor, Enovix’s Senior Director of Procurement Tae Chang, likely
 25 drafted the EPR for the Yinghe equipment and that “the entire C-suite” at Enovix would have been
 26 involved in approving it.

27 99. As FE9 explained, an EPR is a document that authorizes funding to purchase
 28 equipment from a vendor. The EPR lays out a set of parameters that must be met to complete the
 purchase agreement, including requirements that the equipment pass the FAT and SAT. If the

1 equipment is unable to pass the FAT, the equipment is not shipped to the customer's site for the SAT,
2 as the purpose of the SAT is primarily to prove that the equipment—having passed the FAT—could
3 *continue* to perform to specification after being disassembled, shipped to the customer's facility, and
4 reassembled.

5 100. FE2 reported that Enovix placed an equipment production order with Yinghe at the
6 beginning of 2020. The equipment was originally scheduled to undergo the FAT at the beginning of
7 September 2020. After some delays caused in part by the Covid-19 pandemic, the first FAT took
8 place around November and/or December 2020, with 3 or 4 iterations of testing spaced half a month
9 to a month apart. FE2 explained that the equipment did not pass the FAT, as the production yield that
10 the equipment was able to muster was very low and never got close to meeting Enovix's capacity
11 specifications.

12 101. According to FE2, the FAT tests were based on a checklist provided by Enovix, with
13 specifications including output requirements within a specified time, Overall Equipment
14 Effectiveness ("OEE"), and the frequency of the system crashing or similar stoppages.

15 102. OEE is an industry standard measurement for production efficiency, identifying the
16 percentage of manufacturing time that is truly productive. OEE is calculated as the product of three
17 measurable factors: Availability, Performance and Quality. An OEE of 100% means that only good
18 parts are produced (100% quality), at the maximum speed (100% performance), and without
19 interruption (100% availability). OEE is universally accepted as a significant key performance
20 indicator (or "KPI") for all manufacturers. Measuring OEE is a manufacturing best practice that
21 provides insight on how to systematically improve the manufacturing process.

22 103. FE9 explained that the primary parameter for the FAT and SAT for the Fab-1
23 equipment was capacity – how many units the equipment could produce per hour (*i.e.*, UPH).

24 104. According to FE2, the Yinghe equipment failed to complete all checklist items for the
25 FAT. FE2 also noted that the equipment was designed to manufacture two distinct product
26 specifications, but it failed to effectively meet either specification, individually or simultaneously. As
27 FE2 explained, after the initial failed FAT, Yinghe continued working on the equipment and kept
28 testing for months but the equipment never passed the FAT requirements. Those continued efforts

1 and repeated testing extended through the final FAT that Yinghe conducted in April 2021, when the
2 equipment failed the FAT yet again.

3 **Rust and Rodgers Secretly Waived the FAT Requirements**

4 105. That is when Defendants Rust and Rodgers decided to secretly waive the requirement
5 that the equipment pass the FAT and had it airlifted to Fremont. In April 2021, Rust called Rodgers
6 and proposed to fly the Yinghe equipment from China to Fremont to avoid a potential three-month
7 delay due to global shipping backlogs, spending \$1.4 million to charter the world's largest airplane
8 to do so. Rodgers approved the plan.

9 106. A September 2021 article published on *FreightWaves*, a transportation industry
10 publication, described the airlift operation authorized by Defendants Rodgers and Rust: "[a]fter
11 undergoing extensive testing at factories in Asia, the equipment was partially disassembled and
12 carefully packed into 60 shipping crates before being loaded on the An-124, which delivered it to San
13 Francisco International Airport on a Sunday in late April."³

14 107. As Rodgers later admitted (in November 2022):

15 Our decision [to airlift the Fab-1 equipment from China] violated our
16 sacred Equipment Procurement Review (EPR) specification by waiving
17 a key milestone called Factory Acceptance Test (FAT), which required
18 that a team of Enovix engineers fly to multiple Chinese factories, and
19 personally observe each piece of Fab-1 equipment running at full speed
20 before we approved shipment. But those factories stopped receiving
21 guests due to COVID, and we decided to waive the FAT milestone and
22 catch up later.

23 The catch up would have occurred at the Site Acceptance Test (SAT)
24 milestone, which required their engineers to come to Enovix to
25 demonstrate full functionality, but the equipment vendors were not
26 allowed to travel and we installed our equipment with our employees
27 and local contractors.

28 108. In other words, in order to fly the equipment from Yinghe's factory in China to
Enovix's Fab-1 facility in Fremont, Rust and Rodgers decided to waive the requirement in Enovix's

3 Kulisch, Eric, "Lithium battery maker airlifts assembly line to leapfrog port congestion,"
FreightWaves, available at <https://www.freightwaves.com/news/lithium-battery-maker-airlifts-assembly-line-to-leapfrog-port-congestion>.

1 EPR that the Yinghe equipment—which had repeatedly *failed* the FAT over the preceding six
2 months—*pass* the FAT in China *before* Enovix approved delivery of the equipment.

3 109. In Rodgers’ own words, under Enovix’s EPR for the Yinghe equipment, the FAT
4 “***required*** that a team of Enovix engineers fly to multiple Chinese factories [including Yinghe’s], and
5 personally observe each piece of Fab-1 equipment running at full speed.” At all relevant times,
6 Enovix’s engineers were not permitted to travel to China to personally observe any testing of the Fab-
7 1 equipment at Yinghe’s factory, so Rust and Rodgers knew that the FAT was never even *performed*
8 in the manner required by Enovix’s own EPR.

9 110. Even if the EPR hadn’t required Enovix’s engineers to physically visit the Yinghe
10 factory and personally observe the testing of the Fab-1 equipment, it required that the equipment run
11 “at full speed before [Enovix] approved shipment.” Rust and Rodgers waived that EPR requirement
12 too, as the equipment was never able to operate at full speed per Enovix’s specifications, with or
13 without Enovix’s team on site in China. The Fab-1 equipment never passed the FAT at all before
14 Enovix took delivery.

15 111. FE8 confirmed that, prior to April 2021, no one from Enovix was permitted to travel
16 to China, nor did they, to help conduct the FAT. While FE9 did not start at Enovix until a few months
17 later, FE9 also learned during his time at Enovix that Covid-19 travel restrictions had prevented
18 Enovix employees from traveling to China to help conduct the FAT. According to FE9, “if we had
19 been able to do the FAT, we would have found out these [production performance problems] sooner.
20 But we didn’t, so we didn’t stumble across them until later, and we had to try to bring them up to
21 specification” at Fremont.

22 **After Delivery, the Fab-1 Equipment Still Never**
23 **Performed Close to Enovix’s Specifications**

24 112. FE2 noted that Yinghe eventually sent its engineers to Enovix’s Fremont facility to
25 provide SAT services, as outlined in the companies’ contract, but required financial assistance from
26 Enovix to do so. According to FE2, negotiations over those expenses delayed Yinghe’s engineers
27 from traveling to the United States for SAT services for several months, until fall 2021, when Enovix
28 finally agreed to cover all travel and accommodation expenses for over 20 Yinghe employees coming

1 to the United States from China. FE8 confirmed that when FE8 left Enovix in August 2021, no one
2 from Yinghe had travelled to the United States yet to help conduct the SAT after the equipment was
3 installed in Fremont by Enovix's own personnel. FE2 recalled that Yinghe's staff stayed in the United
4 States for almost a year, until September 2022.

5 113. FE4 corroborated that in August 2021, the Company was still attempting to use in-
6 house employees or independent contractors to complete the work of attempting to fully qualify the
7 Fab-1 manufacturing equipment, struggling for months to get its manufacturing equipment to work
8 as it was supposed to. At that point, FE4 explained that "we didn't have the right people working on
9 those machines to get it to where it needed to be in the time it needed to be done."

10 114. During this time, roughly 20-30 members of Enovix's management and senior
11 leadership met at 9:00am every weekday to discuss the struggling operations of the Fab-1 production
12 lines. FE9 usually attended these daily meetings and reported that Defendant Rust attended the
13 meetings about 80% of the time, along with Enovix's CFO Steffen Pietzke on occasion. During the
14 daily meetings, Enovix's senior engineering and operations managers updated Defendant Rust and
15 other members of management about the status of the Fab-1 lines.

16 115. FE3 explained that written status reports were distributed during the daily meetings
17 that detailed the production problems Fab-1 was facing, and that the attendees discussed: "where the
18 bottle neck is, what the problem is, what's going on that day," as well as "projections for output" for
19 the day and upcoming time periods. FE9 likewise explained that the daily meetings always included
20 reports about Fab-1 production numbers, comparing goals against actual results from the prior day,
21 and discussions about ongoing efforts to get the Fab-1 equipment performing up to specification.

22 116. FE7 also sometimes attended these daily meetings, at which the Company's
23 management received reports about, and discussed, how many batteries the Fab-1 line produced in
24 certain areas, how much material was used, and the throughput levels of each manufacturing area.
25 FE7 described the daily meetings as "metrics meetings" about Fab-1's production output.

26 117. According to FE7, anyone who attended the daily meetings would have known that
27 Fab-1 was struggling to produce a reasonable yield of quality batteries. FE9 confirmed that anyone
28 who attended the meetings was aware that the Fab-1 equipment was not performing to specifications,

1 noting that “everyone was concerned” and that “it was common knowledge we weren’t meeting the
2 output requirements and quality requirements.”

3 118. Based on FE9’s experience at these meetings, FE9 stated that Defendant Rust was
4 aware that the Fab-1 equipment from Yinghe was not performing, and never had performed, to
5 Enovix’s specifications, noting specifically that “he [Rust] was not happy” with the equipment
6 problems. FE3 corroborated that Rust was closely engaged with the process of trying to get the Fab-
7 1 lines producing at the level they needed.

8 119. FE6 reported that production numbers for Fab-1, such as the UPH rates, were readily
9 available at any given time because the Fab-1 machinery automatically generated those numbers in
10 automated reports. According to FE6, Enovix had a “whole data pipeline set up to look at the number
11 of batteries made and quality of the batteries. There were several dashboards that showed all that
12 information.” FE6 explained that “everyone” at Enovix had access to these production reports.

13 120. FE3 reported that they and their direct supervisor were brought in by Enovix to bring
14 the Fab-1 line to a full commercial manufacturing volume because when FE3 joined Enovix in
15 October 2021, the Fab-1 line “was not producing.” By the time FE3 left Enovix in November 2022,
16 the Fab-1 line was still not producing at levels the company needed. As FE3 described it, “there was
17 progress” to improve the manufacturing capacity of Fab-1 during FE3’s time with Enovix, but it was
18 “not substantial enough to meet the needs of what was proposed” by Enovix.

19 121. FE7 recalled that every area of Fab-1, not just the lines from Yinghe, had problems.
20 “They had trouble in all the areas,” noted FE7, particularly the Electrode Fabrication, Assembly, and
21 Packaging areas, which were all failing to produce batteries that met specifications and passed quality
22 tests. FE7 explained that by late 2021, the Fab-1 production line was producing very few batteries
23 that met quality specifications. According to FE7, the yields for Fab-1 were “almost zero” as “they
24 barely had anything coming out [of the Fab-1 production lines] that was good.” For example, the Fab-
25 1 production lines would run 1,000 batteries through the line, but none of them would pass quality
26 tests; “they would have so much rejected... all the time.” FE7 recalled that Enovix went through a lot
27 of leadership and personnel changes to try to find people who could address the problems and increase
28

1 the yield for Fab-1. When FE7 left Enovix at the end of 2021, “it [Fab-1] was definitely not fully
2 operational,” and while yields had improved somewhat, “it was still bad” when FE7 left.

3 122. As FE6 reported, by June 2022 the machinery in the area of Fab-1 in which FE6
4 worked—the Assembly area, with the equipment that came from Yinghe—was producing less than
5 10% of the expected production rate. While the equipment in the Assembly area was expected, per
6 Enovix’s original specifications, to produce 550 batteries per hour, by June 2022 it was still producing
7 only 30-40 batteries per hour (or 5-7% of 550 UPH). According to FE6, by December 2022 Enovix
8 had increased production numbers in FE6’s area of Fab-1 to approximately 100 batteries per hour
9 (18% of 550 UPH), but this was still a “far cry” from the original specifications. In FE6’s estimation,
10 having worked to improve the production capacity of Fab-1 for several months in the last half of
11 2022, the Fab-1 manufacturing equipment was never going to be capable of producing more than 200
12 UPH (36% of 550 UPH) even if all of the attempted improvements were successful.

13 123. FE4 explained that the Fab-1 production line “was just never really capable of doing
14 the [production] numbers that they [Enovix] initially advertised,” and that it became obvious to
15 everyone that the equipment was not going to work or produce as intended. FE4 also reported that
16 Enovix was unable to meet the high-volume production stage requirements for any of its potential
17 customers with Fab-1, as they were “unable to produce the required quantities.”

18 124. According to FE9 and FE2, after a year of combined efforts between Enovix and
19 Yinghe engineers in Fremont, the equipment still never met the SAT requirements, as it was never
20 able to produce to Enovix’s specifications. FE9 described the equipment Enovix procured from
21 Yinghe as “a piece of junk,” and stated that “obviously, the specs in place for the EPR were never
22 met.” According to FE9, the equipment was never able to produce more than about 100 UPH—far
23 below Enovix’s requirements.

24 **DEFENDANTS MADE FALSE AND MISLEADING STATEMENTS AND OMISSIONS**
25 **ABOUT THE COMPANY’S FAB-1 MANUFACTURING EQUIPMENT**

26 125. The Proxy Statement referred investors to the Company’s prior SEC filings, among
27 other things, under the heading, “WHERE YOU CAN FIND MORE INFORMATION.” Specifically,
28 the Proxy Statement told investors that “[w]e file reports, proxy statements and other information

1 with the SEC as required by the Exchange Act. You can read RSVAC's SEC filings, including this
2 proxy statement/prospectus, over the Internet at the SEC's website at <http://www.sec.gov>."
3 Accordingly, the Proxy Statement incorporated by reference all of RSVAC's SEC filings predating
4 the Proxy Statement.

5 126. On February 22, 2021, Enovix released an investor presentation in connection with the
6 announcement of its plans to go public via the Merger with RSVAC. The presentation was filed by
7 RSVAC as Exhibit 99.2 to a Current Report filed with the SEC on Form 8-K on February 22, 2021.
8 Defendant Hernandez signed the 8-K. Defendants Rust and Rodgers signed the presentation.

9 127. In the February 22, 2021 investor presentation, Enovix discussed its first commercial
10 battery fabrication line, Fab-1, and explained that the manufacturing specifications for that line would
11 be to manufacture one "3D battery every 2.0 seconds" and to run lines that could produce 500 units
12 per hour ("500 UPH lines."). The investor presentation stated that "Fab-1 [is] being equipped now,"
13 and told investors that to ensure that the equipment being manufactured could produce Li-ion batteries
14 at these speeds, the equipment would be subjected to a FAT and SAT.

15 128. The February 22, 2021 investor presentation stated that the newly designed
16 manufacturing equipment was already at the FAT stage. Indeed, the presentation included a slide
17 expressly stating that the "Fab-1 Equipment" was "At Vendor Factory Acceptance Test (FAT)."

18 129. **Statement 1a:** The February 22, 2021 investor presentation explained that during the
19 FAT, "Equipment must perform to specification at the vendor's factory before shipment to Enovix
20 and must pass another test after installation at the Enovix site."

21 130. Statement 1a, when incorporated by reference into the June 2021 Proxy Statement,
22 was false and misleading because Defendants failed to disclose that in April 2021, Enovix had waived
23 the requirement that the Fab-1 manufacturing equipment made by Yinghe successfully pass the FAT,
24 taking delivery of the equipment despite the fact that it never performed to specification at Yinghe's
25 factory even after several months of testing.

26 131. **Statement 1b:** The Proxy Statement stated that "[a]ll critical equipment for fabrication
27 has arrived and is currently assembled."
28

132. Statement 1b was misleading when read in conjunction with, or in the context of, Statement 1a, because it gave investors the false impression that the Fab-1 equipment, having been delivered to and assembled in Fremont, must have performed to specification at the vendor's factory before that time. In truth, the equipment never performed to specification at Yinghe's factory and Defendants had actually waived the requirement that it do so before taking delivery.

133. **Statement 2:** The Proxy Statement stated that, "Enovix expects Fab-1 to be fully operational by the end of 2021 and to begin production by Q1 2022, with first production revenue in Q2 2022."

134. Statement 2 was false misleading because it implied Fab-1 would be ready for commercial scale production by the end of 2021, but Defendants failed to disclose that the Fab-1 equipment made by Yinghe never performed to specification after several months of testing in China or after continuing efforts to improve the equipment once assembled in Fremont, concealing the material risk that the Fab-1 equipment would not perform to the Company's specifications on the timeline Defendants provided, if ever. Accordingly, Defendants had no reasonable basis to say they expected Fab-1 to be "fully operational" in 2021, to begin production by Q1 2022, or to achieve first production revenue in Q2 2022.

135. **Statement 3:** The Proxy Statement contained the following purported risk disclosure, which was inadequate and misleading:

Enovix relies on a new and complex manufacturing process for its operations: achieving production involves a significant degree of risk and uncertainty in terms of operational performance and costs.

Although Enovix has developed its Li-ion battery technology, Enovix relies heavily on a new and complex manufacturing process for the production of its lithium-ion battery cells, all of which has not yet been developed or qualified to operate at large-scale manufacturing volumes. This will require Enovix to bring up a first-of-its-kind automated production line to produce its batteries. It may take longer than expected to install, qualify and release this line and require modifications to the equipment to achieve its goals for through put and yield. The work required to develop this process and integrate equipment into the production of Enovix's lithium-ion battery cells is time intensive and requires Enovix to work closely with developers and equipment providers to ensure that it works properly for Enovix's unique battery technology. This integration work will involve a significant degree of

1 uncertainty and risk and may result in the delay in the scaling up of
 2 production or result in additional cost to Enovix’s battery cells.

3 136. The underlined sentences in Statement 3 were misleading, and the purported risk
 4 disclosure was inadequate, because Defendants failed to disclose that the Fab-1 equipment made by
 5 Yinghe never performed to specification after several months of testing in China or after continuing
 6 efforts to improve the equipment once assembled in Fremont. The material risk that the Fab-1
 7 equipment “may” not perform to the Company’s specifications on the timeline Defendants provided,
 8 if ever, was not merely hypothetical but had already begun to materialize at the time Statement 3 was
 9 made. This generic warning of vague “uncertainty and risk” that “may” result in delaying the scaling
 10 up of production was woefully insufficient to apprise investors of the specific risks that had already
 11 begun to materialize: the repeated failures of the Fab-1 equipment to even approach Enovix’s required
 12 specifications for production capacity in testing that began at Yinghe’s facility in November 2020
 and continued through the time of the Proxy Statement.

13 137. On August 10, 2021, Enovix issued its first “Letter to Our Shareholders,” detailing its
 14 activities and financial results for the second quarter of 2021. The letter was attached as an exhibit to
 15 a current report filed on Form 8-K with the SEC. Defendants Rust and Pietzke signed the letter, and
 16 Pietzke signed the 8-K.

17 138. **Statement 4:** The August 10, 2021 “Letter to Our Shareholders” stated that:

18 In the quarter we were able to install and begin qualifying our first
 19 production line at our headquarters in Fremont. ...

20 With the equipment for Line 1 installed, our factory is now undergoing
 21 qualification. The first step in this process is a site acceptance test to
 22 confirm the individual pieces of equipment are meeting performance
requirements. This follows factory acceptance testing already
performed at the vendor’s facility before taking delivery. ...

23 139. The underlined sentences in Statement 4 were false and misleading because
 24 Defendants failed to disclose that the Fab-1 equipment made by Yinghe never performed to
 25 specification after several months of factory acceptance testing in China. Thus, it was false and
 26 misleading to say that a site acceptance test (SAT) would “confirm” that the equipment was “meeting
 27 performance requirements” because the equipment had never met those requirements in the first place
 28 during the FAT. It was also misleading to tout that the FAT was “already performed at the vendor’s

1 facility before taking delivery” while omitting that the equipment had repeatedly *failed* the FAT and
2 that Defendants had actually waived the requirement for it to *pass* the FAT before taking delivery.

3 140. **Statement 5:** On August 10, 2021, during an earnings call discussing Enovix’s
4 quarterly results for the second quarter of 2021, Defendant Rust said “[l]ast quarter, we were able to
5 navigate the global supply chain constraints and receive all key equipment for our first production
6 line. This required heroic efforts, including a critical decision to charter Antonov An-124, one of the
7 world’s largest cargo planes, to fly over 60 tons of manufacturing equipment from Asia to San
8 Francisco.”

9 141. Statement 5 was misleading because Defendants touted to investors the Company’s
10 “heroic efforts” to “receive all key equipment” while omitting the material facts that the “critical
11 decision” to fly the equipment over from China actually required that Enovix waive the requirement
12 for the equipment to pass the FAT before taking delivery, when the equipment had never performed
13 to specification after several months of repeatedly *failed* FAT attempts.

14 142. **Statement 6:** During the same earnings call, Rust responded to a question from an
15 analyst from Colliers Securities about the Company’s “latest capacity test” for Fab-1 stating: “We
16 have a pretty rigorous set of both factory and site acceptance things we have to go through and I
17 would say there’s no red flags there.”

18 143. Statement 6 was false and misleading for multiple reasons. First, Statement 6 was
19 misleading because Rust touted the “rigorous” FAT and SAT process for the Fab-1 equipment but
20 failed to disclose the material fact that the Fab-1 equipment made by Yinghe repeatedly *failed* the
21 FAT. Second, Statement 6 was false because Rust claimed that the Fab-1 equipment “ha[d] to go
22 through” the FAT and SAT, but Rust and Rodgers had actually waived the requirement that the Fab-
23 1 equipment successfully complete the FAT before it was shipped to Enovix, so it was not true that
24 the equipment “had to go through” the FAT and SAT. Third, Rust’s assurance that “there’s no red
25 flags” with the FAT and SAT was false and misleading because he failed to disclose a plethora of
26 major red flags that arose in connection with the FAT and SAT: (1) that the Fab-1 equipment had
27 repeatedly failed the FAT over a period of six months; (2) that Enovix waived the requirement that
28 the FAT be successfully completed before shipping the equipment to Fremont; and (3) that the

1 equipment still never got close to performing to Enovix's required specifications after additional
 2 months of work and testing (to that point without Yinghe's engineers, as required per the SAT) at
 3 Enovix's facilities. Thus, Rust had no reasonable basis to assert that there were "no red flags" with
 4 the FAT and SAT for the Fab-1 equipment.

5 144. **Statement 7:** On September 9, 2021, at the Cowen 14th Annual Global Transportation
 6 & Sustainable Mobility Conference, Defendant Rust made the following statement regarding the
 7 Company's equipment for its Fab-1 production lines:

8 We're in the middle of qualifying, which means basically testing out of
 9 each piece of equipment, making sure it's operating as optimum
 10 operating point, making sure we understand where the process windows
 are. That's going on quite well.

11 145. Statement 7 was false and misleading because Rust touted that the testing of "each
 12 piece of equipment" for the production lines at Fab-1 was "going on quite well," but he failed to
 13 disclose that Fab-1 equipment had repeatedly failed the FAT over a period of six months and the
 14 equipment never got close to performing to Enovix's required specifications after additional months
 15 of work and testing at Enovix's facility. The qualifying and testing process for the Fab-1 equipment
 16 was not going "quite well." Far from it.

17 146. **Statement 8:** On March 3, 2022, Enovix released its Q4 2021 Letter to Our
 18 Shareholders. In that letter, signed by Defendants Rust and Pietzke, Defendants stated:

19 We have commenced deliveries from Fab-1 to our lead customers.
 20 Getting to this point was not easy. We have overcome obstacles such as
 21 extended shipping times and intermittent vendor support during
equipment bring-up resulting from COVID travel restrictions to/from
Asia.

22 147. The underlined portion of Statement 8 was misleading because Defendants touted to
 23 investors that the Company had "overcome obstacles such as extended shipping times and intermittent
 24 vendor support" while omitting the material facts that: (1) the way they "overcame" the obstacle of
 25 extended shipping times was by waiving the requirement that the equipment pass the FAT (which it
 26 had repeatedly failed over the prior six months) before taking delivery so they could fly the equipment
 27 to Fremont and install it before the de-SPAC Merger vote; and (2) they had not "overcome" the
 28 obstacle of "intermittent vendor support" because, with and without the Yinghe engineers, the Fab-1

1 equipment never performed close to specification after almost another full year (from the equipment
 2 arriving in April 2021 through March 2022) of efforts to improve the equipment, and it continued to
 3 fail testing at Enovix's facility.

4 148. **Statement 9:** The Q4 2021 Letter to Our Shareholders also stated that “[w]e made
 5 significant progress in 2021 by equipping our first factory, allowing us to start commercial production
 6 and remain on track for our first product revenue by Q2 2022.”

7 149. Statement 9 was false and misleading because Defendants failed to disclose that the
 8 Fab-1 equipment had repeatedly failed the FAT and SAT, never coming close to meeting the
 9 Company's required specifications for commercial production capacity despite continuous efforts
 10 over the course of more than a year to get the equipment up to speed. Thus, even if it were literally
 11 true that Enovix could produce some number of batteries and generate some *de minimus* amount of
 12 product revenue by Q2 2022, Statement 9 provided investors with the false impression that Enovix
 13 had *commercial-scale* production capabilities and would be able to begin generating *commercial-*
 14 *scale* revenues, when in truth Fab-1 was nowhere near having commercial production capabilities and
 15 was not “on track” to recognize commercial-scale production revenue on the stated timeline.

16 150. On March 25, 2022, Enovix filed its annual report for 2021 on Form 10-K with the
 17 SEC (“2021 10-K”). Defendants Rust, Pietzke, Rodgers, Atkins, Hernandez, Ebrahimi, McCranie,
 18 and Reichow signed the 2021 10-K.

19 151. **Statement 10:** The 2021 10-K contained the following purported risk disclosure,
 20 which was inadequate and misleading:

21 *We rely on a new and complex manufacturing process for our*
 22 *operations: achieving production involves a significant degree of risk*
 23 *and uncertainty in terms of operational performance and costs.*

24 Although we have developed our Li-ion battery technology, we rely
 25 heavily on a new and complex manufacturing process for the production
 26 of our lithium-ion battery cells, all of which has not yet been developed
 27 or qualified to operate at large-scale manufacturing volumes. This will
 28 require us to bring up a first-of-its-kind automated production line to
 produce our batteries. It may take longer than expected to install, qualify
and release this line and require modifications to the equipment to
achieve our goals for throughput and yield. The work required to
 develop this process and integrate equipment into the production of our

lithium-ion battery cells is time intensive and requires us to work closely with developers and equipment providers to ensure that it works properly for our unique battery technology. This integration work will involve a significant degree of uncertainty and risk and may result in the delay in the scaling up of production or result in additional cost to our battery cells.

152. The underlined sentences in Statement 10 were misleading, and the purported risk disclosure was inadequate, because Defendants failed to disclose that the Fab-1 equipment made by Yinghe never performed close to the required capacity or quality specifications after several months of testing in China or after continuing efforts to improve the equipment once it was assembled in Fremont. The material risk that the Fab-1 equipment “may” not perform to the Company’s specifications on the timeline Defendants provided, if ever, was not merely hypothetical but had already begun to materialize at the time Statement 10 was made. This generic warning of vague “uncertainty and risk” that “may” result in delaying the scaling up of production was woefully insufficient to apprise investors of the specific risks that had already begun to materialize: the repeated failures of the Fab-1 equipment to even approach Enovix’s required specifications for production capacity and quality after continuous improvement efforts and repeated testing that began at Yinghe’s facility in November 2020 and continued through the time of the 2021 10-K.

153. **Statement 11:** The 2021 10-K also stated, under the heading of “Key Trends, Opportunities and Uncertainties”:

Challenges associated with building out Fab-1 include extended shipping times, supply chain constraints and intermittent vendor support during equipment bring-up resulting from COVID travel restrictions imposed on certain countries in Asia.

154. Statement 11 was misleading because Defendants chose to tell investors about some of the “challenges” associated with building out Fab-1, but failed to disclose in any real sense the severe, already-materialized challenges that had truly hamstrung the build-out of Fab-1: that the Fab-1 equipment made by Yinghe never performed close to the required capacity or quality specifications after several months of testing in China or after continuing efforts to improve the equipment once it was assembled in Fremont. Thus, even if literally true, Statement 11 was misleading because it concealed the already-materialized risks imperiling the build-out of the Fab-1 production lines.

**PLAINTIFFS AND THE CLASS WERE DAMAGED
WHEN THE CONCEALED RISKS CAME TO LIGHT**

155. Defendants’ false and misleading statements and omissions about Fab-1, as identified above, concealed the material facts that Fab-1 was repeatedly failing to meet its production capacity and quality specifications, preventing the Company from recognizing its first meaningful revenue from the commercial production and sale of its batteries. Those concealed facts gradually came to light through a series of partial disclosures beginning in late 2022, revealing substantial delays in production and projected revenue timelines, the shortcomings of the Fab-1 equipment, and ultimately resulting in the Company abandoning Fab-1 as a commercial production facility. As the concealed risks materialized and the truth came to light, the revelations caused Enovix’s share price to fall precipitously, harming Plaintiffs and the Class.

156. In the second half of 2022, Enovix began to gradually reveal that the continued setbacks to the Fab-1 manufacturing equipment not only delayed the Company’s goal of recognizing material product revenue by Q2 2022, but also pushed back the development of Enovix’s next generation of manufacturing equipment, which had been expected to build upon the original Fab-1 line’s success.

157. In August 2022, Enovix announced that it had met its stated goal of recognizing its first product revenue by Q2 2022, as the Company had brought in \$5.1 million in revenue in the quarter. However, barely any of that revenue came from delivering products to customers. \$5 million of the \$5.1 million (98%) was actually attributable to completing the initial phases of a product development program with a single customer and was classified as “service revenue,” as opposed to sales revenue.

158. At the same time, Defendants vaguely acknowledged that they would need to “increase our manufacturing yield metrics.” Accordingly, to “prioritize Fab-1 improvements in the third quarter” of 2022, Defendants announced that they would be “taking the line down for portions of the quarter to improve individual process modules and install planned battery conveyance.” Defendants stated that their “goal” was to “do the needed work in Q3 to position us for the start of our production ramp to close the year.” Defendant Rust told investors that Fab-1 would be “the workhorse of our

1 output next year” and to expect the revenue “ramp” to begin in Q4 2022, after the “improvements”
2 had been made to Fab-1.

3 159. Rather than revealing the truth about the Company’s failure to get anywhere near its
4 capacity and quality requirements for commercial production despite nearly two years of continued
5 efforts and failed tests by Yinghe and Enovix engineers, these statements merely alluded to vague
6 “improvements” being performed on the Fab-1 line, which would be interrupted only for “portions of
7 the quarter” and slightly delay the projected revenue ramp to later that same year.

8 160. On November 1, 2022, after the close of trading, Enovix released its Letter to Our
9 Shareholders for Q3 2022. The letter reported that Enovix’s revenues for the third quarter were just
10 *eight thousand dollars*. The letter explained that the revenue came from “a modest number of batteries
11 shipped to customers for qualification programs and pre-production and end-product builds.” Enovix
12 was not, in fact, manufacturing or delivering batteries on a commercial scale, but rather “[t]he
13 majority of batteries shipped during the quarter were samples that did not generate revenue.”

14 161. Although not yet fully disclosing the nature and extent of its manufacturing problems,
15 the letter cryptically disclosed that the “improvements” that Enovix had partially shut down Fab-1 to
16 implement had been “slower-than-expected,” and that the Company was now engaged in a major
17 strategic shift: prioritizing the development of its next generation manufacturing lines, to be installed
18 in future planned production facilities, over maximizing the output from the existing production lines
19 at Fab-1:

20 As we highlighted in last quarter’s Shareholder Letter, we made a
21 conscious decision to focus on manufacturing improvements over
22 shipments in Fab-1 during the third quarter. ... Given the wide gap in
23 expected performance between our Gen1 and Gen2 and the slower-than-
24 expected improvements on our Gen1 manufacturing equipment, we
25 have now concluded that the incremental effort necessary to drive
26 higher throughput on Gen1 technology is better spent on the critical
27 yield and productivity learning necessary for a strong launch of our
28 Gen2 Autoline. ***As a result, we are dialing back Gen1 throughput
enhancement activities and anticipate achieving lower overall output
from Fab-1 in 2023 in favor of focusing on the Gen2 Autoline, which
is the engine for our future scaling.***

162. The November 1, 2022 letter further stated that the total production run rate for 2023 would be under one million battery cells—less than 10% of the production that would result from producing a battery every two seconds as originally specified:

In the third quarter, we worked to optimize our first production line (“Line 1”) in Fab-1 for higher yield and throughput, bring up our second production line in Fab-1 (“Line 2”), and complete our learnings for Gen2. ***We expect Fab-1 improvement activities to extend into 2023, but at a slower rate given the decision to redirect resources to Gen2. Given this, we expect to exit 2023 at a run rate of under one million battery cells produced from the Gen1 equipment at Fab-1.***

163. The news that there would be dramatically lower output from Fab-1 in 2023 and that the Company would “redirect resources” to Gen2 lines suddenly and dramatically changed the perceived timeline for Enovix to commercialize its batteries and achieve revenue. As Enovix’s Chief Commercial Officer (“CCO”) Cameron Dales explained during the Cowen Global Transportation & Sustainable Mobility Conference, producing batteries for OEMs was a multi-stage process that involved substantial testing: “there’s a multiyear process of just qualifying the technology to make sure that the technology really works.” While Enovix had cleared some of these hurdles with the batteries produced on its Gen1 lines at Fab-1, giving up on the Gen1 lines in favor of trying with new and untested Gen2 lines meant starting the qualification timeline over anew.

164. The November 1, 2022 letter also told investors: “We expect that certain customers may require up to several months to qualify the Gen2 line before accepting product that is manufactured on that line.” Enovix did not expect to even receive the new manufacturing equipment for its Gen2 lines until the second half of 2023.

165. On this news, Enovix’s share price fell 41%, from a close of \$17.99 per share on November 1, 2022 to \$10.53 per share by the close of trading on November 2, 2022, on unusually high trading volume.

166. On November 2, 2022, a post on the popular investing website Motley Fool entitled “Why Enovix Stock Plunged Today,” explained that investors “weren’t expecting an announcement the company will put more effort into Gen2 technology over improving Gen1 technology. This likely means that revenue scaling will take longer than expected.” The post went on to explain that

1 “management said that Gen2 production is expected to start in late 2023 at best. This means the
2 company will need to survive on the \$349 million in cash on the balance sheet until then, which may
3 be a stretch. The company has used over \$91 million in cash in the first three quarters of the year and
4 will spend more on installing capacity next year.”

5 167. However, the November 1, 2022 letter did not fully reveal to the market the extent of
6 the undisclosed risks: the Company’s continuing failure to achieve anywhere close to commercial
7 production capacity and quality with its long-touted Fab-1 equipment. Defendants also continued to
8 make misleading statements concerning the status of Fab-1.

9 168. On the morning of November 7, 2022, Enovix announced in a press release that
10 Defendant Rodgers would take on a new, more directly involved role as the Company’s Executive
11 Chairman. In a statement released that day, Rodgers admitted to investors that “*We have poorly*
12 *communicated on the status of Fab-1,*” explaining:

13 [W]e lowered our 2023 revenue projection in a confusing manner that
14 erroneously implied that there were bigger problems with our
15 technology. Our revenue projections were lowered because our Fab-1
16 manufacturing ramp was delayed in our first year of production. This is
17 an unacceptable execution problem which I will discuss.

18 However, as I look back on the decisions the company made, I would
19 make the same calls again. For example, when Harrold Rust called me
20 and said that Enovix Fab-1 would be delayed by at least three months
21 due to the COVID-related shipping malaise unless we spent \$1.4 million
22 to charter the world’s largest airplane, a Ukrainian AN-124, to fly over
23 55 tons of Fab-1 equipment to Silicon Valley in one shot, I said,
24 ‘Brilliant, do it.’ Our decision violated our sacred Equipment
25 Procurement Review (EPR) specification by waiving a key milestone
26 called Factory Acceptance Test (FAT), which required that a team of
27 Enovix engineers fly to multiple Chinese factories, and personally
28 observe each piece of Fab-1 equipment running at full speed before we
approved shipment. But those factories stopped receiving guests due to
COVID, and we decided to waive the FAT milestone and catch up later.

The catch up would have occurred at the Site Acceptance Test (SAT)
milestone, which required their engineers to come to Enovix to
demonstrate full functionality, but the equipment vendors were not
allowed to travel and we installed our equipment with our employees
and local contractors. We are still paying for the months we gained and
then gave back due to equipment problems.

169. Rodgers went on to address the perceived “problem[] concerning shareholders” of “the delay and projected underperformance of Fab-1,” and in doing so made an additional misleading statement:

Statement 12: We have poorly communicated on the status of Fab-1. I have heard from many investors that the delay and projected underperformance of Fab-1 must be the result of some catastrophic technology problem. For the record: Fab-1 is going to work and ship a lot of batteries to our customers – period. I will personally be in all Fab-1 reviews, because Fab-1 is not only critical to the Company, but also to our customers, some of whom are designing products right now that could not exist without Enovix battery performance.

170. The underlined portion of Statement 12 was misleading because it provided the false impression that the “delay and projected underperformance of Fab-1” were merely transitory hiccups that Enovix would quickly and easily resolve on its way to commercial-scale production. The persistent failures of the preceding two years had demonstrated otherwise. According to Rodgers, the Fab-1 production line was not doomed to fail but had simply experienced a delayed “manufacturing ramp ... during [Enovix’s] first year of production.” In truth, as Rodgers knew by November 2022, after two years of continuous efforts from Yinghe and Enovix trying to test, fix, and improve the Fab-1 equipment, it never got remotely close to the capacity and quality specifications necessary to support commercial production. As Rodgers knew, by June 2022 the Fab-1 equipment was producing less than 10% of the expected production rate of 550 UPH, and even by December 2022, it had not even cracked 20% of the required capacity, thus there was no legitimate basis for his unequivocal assertion that “Fab-1 is going to...ship a lot of batteries to our customers.” Statement 12 was not accompanied by adequate and meaningful cautionary language and is thus not sheltered from liability by the “safe harbor” provision of the Private Securities Litigation Reform Act of 1995.

171. With the FAT and SAT long since in Enovix’s rearview mirror (to the limited extent the market was apprised of the circumstances surrounding those tests), the market was focused on the Company’s path forward and the “improvement activities” being performed on Fab-1’s production equipment. Rodgers’ explanation about the FAT and SAT, coupled with his *mea culpa* that Enovix’s lowered revenue projection for 2023 had been done in a “confusing manner that erroneously implied

1 that there were bigger problems with [Enovix’s] technology,” also misled investors to believe that the
2 issues delaying the Fab-1 production line would soon be resolved.

3 172. Following Rodgers’ statement, Enovix’s stock price increased \$1.11 per share over
4 the previous trading day, as the market digested the various information provided therein, including
5 Rodgers’ new role as Executive Chairman, the purported reasons for the Fab-1 production delays,
6 and Rodgers’ assertion that “Fab-1 is going to... ship a lot of batteries to our customers.”

7 173. On November 10, 2022, Enovix announced that it was bringing in Ajay Marathe, a
8 Company outsider, as Chief Operating Officer (“COO”).

9 174. On December 29, 2022, Enovix announced that Defendant Rust would “retire” as
10 President and CEO of the Company and as a member of the Company’s board of directors. Enovix
11 replaced Rust that same day.

12 175. On January 3, 2023, after the close of trading, Defendant Rodgers hosted a “special
13 presentation to shareholders” via conference call. During his presentation, Rodgers again directly
14 acknowledged the Company’s “lack of clear and transparent investor communications” concerning
15 Fab-1 “that led some of our investors to say we’re outright dishonest with them.” Rodgers conceded
16 that “*I think they were reasonably misled.*”

17 176. Rodgers also provided more information on the first production line at Fab-1 and its
18 disappointing output:

19 Line 1 is the one we brought in the airplane, it’s a Fremont wearables
20 line, meaning make small batteries, uses the same heads, but it’s
21 nonfunctional for automation point of view. That means its rated
22 capacity of 550 UPH is really more like 100. Obviously that wreaks
23 havoc with output and promises.

24 177. Line 2, meanwhile, was incomplete according to Rodgers. “It’s only a partial line. We
25 only built half the line,” he told investors on the January 3, 2023 call, “we didn’t want to commit to
26 the second half of the Line 2, until Line 1 worked.” Rodgers went on:

27 If we run [the second line] at high OEE and high UPH, it then goes to
28 22.5 seconds when we lost the automation and the UPH dropped from
550 to 100. And it then went to 72 seconds when the OEE dropped
because of the lack of automation and the need to do manual stuff in the
yield problem. So what we started out is the battery every 2 seconds,

ended up battery every 72 seconds, a battery 1 minute roughly. That's been the problem and it's got multiple causes.

178. According to Rodgers, the equipment was "rated at 550" UPH, but Rodgers admitted that "we don't think that machine if we worked on it forever would be over 200 [UPH]," thus corroborating FE6's estimate. Due to the problems with the manufacturing equipment at Enovix's Fab-1 facility, Rodgers also confirmed (as FE6 reported) that "[b]y my math, Fab-1 is doing less than 10% of what it should be doing."

179. During the same presentation, Rodgers also announced further delays to the Gen2 manufacturing lines, which could be traced back to the problems with Fab-1 and its "Gen1" production lines:

Gen2 equipment owners will prove to the board, in bold, that they've embedded all the learning from Gen1. So, Gen1 is not working the way we wanted to... And Gen2 can't have any of those problems and you have to prove to the board that.

* * *

Gen2 is going to work and Gen1 doesn't.

180. Rodgers acknowledged that the buildout of the Gen2 lines would be delayed by several months, to the end of 2023 or beginning of 2024. The revenues from the Gen2 lines that investors had previously been told to expect in early 2024 were therefore no longer possible.

181. During the same presentation, an analyst from B. Riley Securities asked specifically about Defendant Rodgers' statement from November 7, 2022, concerning the Company's violations of its EPR with respect to the Fab-1 equipment. In response, the Company's new COO, Marathe, explained that:

So this time instead of just saying, okay let's give you the PO and hope for the best and let them give us a machine, which kind of works and we will see it or not. This time, we are building proofs of concepts, which means smaller machines that represent the heads, as T.J. mentioned, which are actually working in action, and we have seen those. You see the videos of those. Our engineers are over there many, many times. And many of them actually. I'm going there personally also this month where I'll be visiting these guys and establishing relationships with the CEOs myself.

182. In other words, waiving the requirement for the Fab-1 equipment to pass the FAT contributed materially to the major delays and inability of Fab-1 to achieve the Company's production

1 goals. Instead of “hop[ing] for the best” by letting the equipment vendors “give us a machine,” which
2 Enovix may not see in advance (as the Company did by waiving the FAT after months of repeated
3 testing failures), going forward the Company’s engineers would be going to the equipment vendors’
4 facilities in person to see the next generation of equipment and ensuring that it passes the FAT before
5 it is shipped and installed in the Company’s facility, which would help avoid the problems that
6 plagued Fab-1.

7 183. During the same presentation, Marathe confirmed the critical importance of passing
8 the FAT, explaining that the Company’s confidence in its production lines “becomes at the very high
9 point when we finish doing the factory acceptance test. When we’re actually at the vendor, the
10 machine is working, is running. It’s running both the sprint UPH. It’s running the uptime, it’s running
11 those types of things improved, actually seeing it. That’s when typically the confidence is high and
12 you start triggering the long lead time items.”

13 184. In other words, successful completion of the FAT provides a company with the
14 confidence necessary to support significant investments of time and money into the equipment
15 installation and qualification process. When Enovix waived the requirement that its Fab-1
16 manufacturing equipment pass the FAT, it lacked the necessary confidence to make these major
17 investments and foreseeably ran into serious delays and operating problems when attempting to ramp
18 up the Fab-1 equipment for commercial scale production. Accordingly, waiving successful
19 completion of the FAT after months of failed tests was a material fact that Defendants failed to
20 disclose to investors until November 2022.

21 185. In response to the news disclosed in the January 2023 special presentation, Enovix’s
22 share price dropped 41%, from a close of \$12.12 per share on January 3, 2023 to a close of \$7.15 on
23 January 4, 2023, on unusually high trading volume.

24 186. This decline was caused, at least in part, by the disclosure of new information revealing
25 to a larger extent the scope of the materialized risks concealed by Defendants’ misrepresentations and
26 omissions: that not only were the “improvements” to the Fab-1 production lines moving slower than
27 expected as announced in November 2022, but that more than a year and half after the Fab-1
28 equipment was delivered to Fremont it was still “doing less than 10% of what it should be doing.”

1 These admissions were a complete shock to the market, as Rodgers had assured investors only two
 2 months prior that “Fab-1 is going to work and ship a lot of batteries to [Enovix’s] customers – period.”

3 187. Moreover, Rodgers’ admission that investors had been misled revealed material
 4 negative facts in and of itself. Reasonable investors purchase a company’s stock or pay a certain price
 5 because they believe that the company’s management is honest and forthright. Thus, Rodgers’
 6 admission that Enovix’s investors were “reasonably misled” by Defendants’ prior statements
 7 negatively impacted the value of the Company and the price of its shares.

8 188. However, the January 3, 2023 presentation also did not fully reveal to the market the
 9 extent of the undisclosed risks, which continued to materialize.

10 189. On October 3, 2023, Enovix announced that it was abandoning commercial production
 11 operations at Fab-1 altogether, laying off 185 workers and writing off the value of all the equipment
 12 purchased.

13 Enovix ... announced that it has initiated a strategic realignment of
 14 Fab1 in Fremont designed to refocus the facility from a manufacturing
 15 hub to its “Center for Innovation,” focused on new product
 16 development. This move is supportive of the Company’s strategy to
 17 locate high-volume manufacturing in Asia near customers and
 18 suppliers while locating technology development in both Silicon
 19 Valley and Asia.

20 Shifting Fab1’s focus will result in a reduction of the workforce in
 21 Fremont that had been dedicated to supporting 24/7 manufacturing by
 22 approximately 185 personnel, including over 125 contractors.

23 * * *

24 Associated with the Fab1 strategic realignment, Enovix ... expects to
 25 recognize accelerated depreciation expenses of approximately \$36
 26 million for Gen1 equipment between the fourth quarter of 2023 and the
 27 first quarter of 2024.

28 190. In response to this news, Enovix’s share price fell 13%, from a close of \$11.81 per
 share on October 2, 2023 to a close of \$10.30 on October 3, 2023, on unusually high trading volume.

191. This decline was caused at least in part by the revelation that Enovix had completely
 given up on Fab-1’s ability to achieve commercial production capacity. After years of failed testing
 and attempted improvements, the Company was finally forced to pull the plug on the long-touted
 revenue-generating, commercial production prospects of its production lines at Fab-1. As a result, the

1 Company had to write off \$36 million of Fab-1 equipment and lay off 185 people at its Fremont
2 facility.

3 192. FE9 explained that, when the decision was made to abandon Fab-1 as a commercial
4 production facility, the Company had determined that Fab-1 production line would never be able to
5 meet its capacity requirements and the quality level that customers were demanding.

6 **ADDITIONAL ALLEGATIONS SHOWING DEFENDANTS’**
7 **FALSE AND MISLEADING STATEMENTS WERE MADE WITH SCIENTER**

8 193. Plaintiffs allege that each of the false and misleading statements and omissions
9 identified above was made with Defendants’ knowledge or severely reckless disregard for the falsity
10 of those statements.

11 194. Enovix is liable for the acts of the Individual Defendants and its employees under the
12 doctrine of *respondeat superior* and common law principles of agency because all of the wrongful
13 acts complained of herein were carried out within the scope of their employment. Accordingly, the
14 scienter of the Individual Defendants and other employees and agents of the Company is imputed to
15 Enovix. This is particularly true with respect to Defendants Rust and Rodgers, senior officers and/or
16 directors of Enovix who were sufficiently senior in the organization that it is proper to impute their
17 scienter to Enovix.

18 195. Several material adverse facts underlying the false or misleading nature of Defendants’
19 statements were already known to, or recklessly disregarded by, Defendants at the time the statements
20 were made, supporting a strong inference that Defendants acted knowingly or with severe
21 recklessness in making those statements. This inference of scienter is cogent and at least as
22 compelling as any opposing inference that one could draw from the facts alleged herein.

23 196. For example, Defendants Rodgers and Rust made numerous statements regarding the
24 FAT and SAT processes for the Fab-1 equipment, demonstrating their familiarity with the subject
25 matter they spoke about. *See supra* ¶¶129, 131, 133, 135, 138, 140, 142, 144, 146, 148, 151, 153, and
26 169.

27 197. Based on Rust’s and Rodger’s direct involvement in the decision to waive successful
28 completion of the FAT, as well as, among other things, Rust’s specific statements about “factory

1 acceptance testing already performed at the vendor’s facility before taking delivery” and that “there’s
2 no red flags” in the FAT, it is reasonable to infer that Rust and Rodgers knew, or were severely
3 reckless in not knowing, that the Fab-1 equipment from Yinghe had failed to perform to specification
4 and repeatedly failed the FAT before Rust and Rodgers decided to waive the requirement that the
5 equipment *pass* the FAT before being shipped to Enovix. Rodgers’ detailed statements explaining the
6 operative capacity of Fab-1, running at a fraction of its required UPH, also support a strong inference
7 that he knew, or was severely reckless in not knowing, that the Fab-1 equipment from Yinghe never
8 got close to meeting Enovix’s specifications for commercial production.

9 198. A cogent and compelling inference of scienter is also appropriate because Defendants
10 were incentivized to deliver their Fab-1 equipment before the Merger closed, and so it could close.
11 By the time Defendants announced the Merger on February 22, 2021, the Yinghe equipment for the
12 Fab-1 production line had repeatedly failed the FAT and was nowhere close to meeting Enovix’s
13 capacity specifications in the EPR. With the announced timeline for the closing of the de-SPAC
14 rapidly approaching, Defendants Rust and Rodgers decided to waive the “sacred” FAT requirement
15 in Enovix’s EPR and fly the Fab-1 equipment to Fremont in April 2021.

16 199. At the same time, Defendants knew (or should have known) that Enovix desperately
17 needed the Merger to go through in order to continue its operations, further buttressing the strong
18 inference that Defendants were motivated to close the Merger. According to the Proxy Statement:

19 Enovix has incurred losses since inception and has an accumulated
20 deficit of \$223.4 million. These conditions raise substantial doubt about
21 Enovix’s ability to continue as a going concern. The ability to continue
22 as a going concern is dependent upon generating profitable operations
23 in the future and/or obtaining the necessary financing to meet Enovix’s
24 obligations and repay its liabilities arising from normal business
operations when they become due. Enovix believes that the successful
completion of the Business Combination will eliminate this doubt and
enable Enovix to continue as a going concern.

25 200. Defendants thus had reason not to inform the market of the shortcuts they took to
26 ensure the closing of the Merger—that they had cut corners on the Company’s EPR procedures—as
27 well as concealing the repeated failures of the critical Fab-1 equipment to pass the FAT or to get
28 anywhere near the Company’s capacity and quality specifications for commercial production.

1 Concealing those material facts from RSVAC shareholders helped ensure that they would approve
2 the Merger proposal and that Enovix would gain access to over \$400 million in outside financing to
3 fund its operations, which were not yet generating any revenues.

4 201. Indeed, had Defendants come clean about the difficulties the Fab-1 equipment had
5 encountered during the FAT, the repeated failed FATs, the fact that Enovix’s engineers were never
6 able to travel to China to conduct the FAT as required pursuant to Enovix’s “sacred” EPR, the fact
7 that Rust and Rodgers had waived the requirement that the equipment pass the FAT, and how those
8 material facts severely jeopardized the Company’s projected timeline for achieving commercial scale
9 production and revenues, RSVAC’s shareholders would have voted against the Merger and/or
10 redeemed their shares. Without the imminent infusion of cash from the Merger, Enovix—which had
11 been bleeding cash and was nowhere close to having the Fab-1 production line up and running—
12 would be unable to continue as a going concern. Simply put, Enovix was a house of cards that could
13 only remain standing if the Merger was approved.

14 202. Rodgers also had a significant personal financial incentive to conceal the material
15 adverse facts in hopes of securing approval of the Merger. This is because he held 5.75 million
16 RSVAC Founder Shares that could only monetize—for up to \$80 million—after RSVAC completed
17 a “Business Combination” like the Merger.

18 203. Moreover, at the time of the Merger, Defendant Rodgers was a member of the board
19 of directors of Enovix, and owned, through a trust, approximately 11.3% of all then-outstanding
20 Enovix common stock, which was not publicly traded until the Merger. Securing approval of the
21 Merger allowed Rodgers to monetize his large holdings of Enovix stock.

22 204. In May 2021, Enovix issued a \$15 million bridge note to a trust for which Defendant
23 Rodgers was the trustee. The proceeds from the Bridge Note were intended to provide working capital
24 funds to help support Enovix’s operations. The Company intended to repay the bridge note upon the
25 closing of the Merger. According to the Proxy Statement, “if the Merger did not close by October 25,
26 2021, Enovix may not have sufficient funds to repay the loan and will need to pursue a forbearance
27 arrangement with the lender or some other arrangement to meet its obligations under the Bridge
28 Note.”

1 205. Thus, Defendant Rodgers was particularly incentivized to obtain approval of the
2 Merger. If it did not close—which would have been a very real threat had Defendants disclosed that
3 they had waived the requirement that the Fab-1 equipment pass the FAT despite months of repeated
4 failures to meet specifications—Rodgers risked adverse and negative consequences to a trust for
5 which he served as trustee. Rodgers was thus put in a difficult situation: either make sure the Merger
6 closed or risk violating his fiduciary duties to this trust.

7 206. In the September 2021 *FreightWaves* article, Enovix’s CCO, Dales, was quoted as
8 describing the decision to fly the Fab-1 equipment from China to California ahead of the Merger as a
9 “*massive shortcut*” for setting up the Fab-1 factory.⁴ In the interview, Dales explained that “[w]e
10 were faced with a choice: Accept a three-month delay and delay the startup of our factory ... or try
11 to find some creative way around the backlog.” As Dales described, the airlift operation “involved
12 premium pricing relative to other modes of transportation, but from an ROI perspective it was kind
13 of a no-brainer for us. *The time was just so valuable.*”

14 207. Dales’ statements underscore the fact that the decision to fly out the Fab-1 equipment
15 ahead of the Merger was made for the purpose of having the equipment shipped and installed ahead
16 of the Merger, which allowed Defendants to tout their new manufacturing capabilities to investors
17 and ensure that RSVAC shareholders approved the Merger.

18 208. Rust’s and Rodgers’ involvement in the day-to-day operations of the Company’s
19 Fremont factory further supports an inference of scienter, particularly as to Defendant Rust. FE1
20 described Rust as being “deeply involved” in the operations at the Company’s Fremont facility, noting
21 that Rust was at the facility every day and that Rust regularly went out onto the factory floor and
22 talked with employees. FE3 also reported seeing Rust on the Fremont factory floor “more than once
23 a day, beginning and end. He was in tune with things. He was in communication.”

24 209. FE3 recalled that Rust attended daily engineering and operations meetings at Fremont,
25 during which time senior engineering and operations managers updated Rust and others on the status
26 of the Fab-1 line. According to FE9, roughly 20-30 members of Enovix’s management and senior
27

28 ⁴ Kulisch, *supra* n.3.

1 leadership held meetings at 9:00am every weekday at the Company's Fremont facility to report on
2 operations of the Fab-1 production lines. FE9 usually attended the meetings and reported that
3 Defendant Rust attended the meetings about 80% of the time, and Enovix's CFO, Defendant Pietzke,
4 sometimes attended the meetings too. FE1 also attended the 9:00am operations meetings, and recalled
5 that Rust always attended the meetings.

6 210. FE3 noted that the status reports shared at those meetings included reports about the
7 production problems Fab-1 was facing, and the discussion topics centered on: "where the bottle neck
8 is, what the problem is, what's going on that day," as well as "projections for output" for the day and
9 upcoming time periods. FE9 said these meetings always included reports about Fab-1 production
10 numbers, comparing goals against actual results from the prior day, and discussions about ongoing
11 efforts to get the Fab-1 equipment performing up to specification. FE7 also sometimes attended these
12 daily meetings, at which the Company's management received reports about, and discussed, how
13 many batteries the Fab-1 line produced in certain areas, how much material was used, and the
14 throughput levels of each manufacturing area. FE7 described the daily meetings as "metrics meetings"
15 about Fab-1's production output.

16 211. According to FE7, anyone who attended the meetings would have known that Fab-1
17 was struggling to produce a reasonable yield of quality batteries. FE9 confirmed that anyone who
18 attended the meetings was aware that the Fab-1 equipment was not performing to specification, noting
19 that "everyone was concerned" and that "it was common knowledge we weren't meeting the output
20 requirements and quality requirements."

21 212. Based on FE9's experience at these meetings, FE9 stated that Defendant Rust was
22 aware that the Fab-1 equipment from Yinghe was not performing, and never had performed, to
23 Enovix's specifications, noting specifically that "he [Rust] was not happy" with the equipment
24 problems. FE3 corroborated that Rust was closely engaged with the process of trying to get the Fab-
25 1 lines producing at the level they needed.

26 213. FE9 reported that Ashok Lahiri, Enovix's co-founder and Chief Technology Officer,
27 oversaw the testing of equipment at Enovix's Fremont facility. FE1 reported that Neal Sarswat,
28

1 Enovix's Director of Engineering from May 2017 to September 2022, oversaw the Fab-1 production
2 line and Fab-1 operation and reported directly to Rust.

3 214. FE6 reported that production numbers for Fab-1, such as the UPH rates, were readily
4 available at any given time because the Fab-1 machinery automatically generated those numbers in
5 automated reports. According to FE6, Enovix had a "whole data pipeline set up to look at the number
6 of batteries made and quality of the batteries. There were several dashboards that showed all that
7 information." FE6 explained that "everyone" at Enovix had access to these production reports.

8 215. During his January 2023 special presentation, Rodgers revealed that the Company's
9 board had considered changing the Company's CEO as early as August 5, 2022, discussed a
10 mechanism for changing the Company's CEO on October 3, 2022, commenced the formal launch of
11 the Company's CEO search on November 4, 2022, and confirmed the decision to hire Rust's
12 replacement on December 24, 2022. According to Rodgers' presentation, Defendant Rust was fully
13 informed of each of these steps. This indicates that the end of Rust's tenure at Enovix was more akin
14 to a termination than a "retirement," as the timing of the discussions about replacing Rust as CEO
15 coincided with the production issues with Fab-1 coming to a head in late 2022.

16 216. Finally, another relevant factor that creates a strong inference of scienter is the core
17 operations inference, insofar as it would be absurd for Enovix's senior management to be unaware
18 that the Company waived the requirement that the Fab-1 equipment pass the FAT after months of
19 repeated failures to even come close to meeting production specifications, and continued to fail to get
20 anywhere close to meeting specifications during more than a year of subsequent improvement efforts
21 and testing, and that, as a result, there was a material risk that Company's Fab-1 facility would fail to
22 achieve commercial production capabilities. During the Class Period, Enovix made one product – Li-
23 ion batteries – out of a single factory in Fremont: Fab-1. That factory and the Company's executive
24 offices shared the same facility.

25 217. Moreover, it was critical to the Company's development for the Fab-1 manufacturing
26 line to produce as stated and "ramp up" to a commercial level necessary to sustain the growth
27 purportedly demanded by Enovix's customers. Consequently, any problem with the manufacturing
28

1 output and performance of Fab-1 represented a serious warning that Enovix itself may not be able to
2 survive.

3 **CLASS ACTION ALLEGATIONS**

4 218. Plaintiffs bring this action as a class action pursuant to Rules 23(a) and 23(b)(3) of the
5 Federal Rules of Civil Procedure on behalf of themselves and the Class.

6 219. Throughout the Class Period, shares of the Company's common stock were actively
7 traded on the NASDAQ. While the exact number of Class members is unknown to Plaintiffs at this
8 time and can only be ascertained through appropriate discovery, Plaintiffs believe that there are
9 hundreds or thousands of members in the proposed Class. Millions of shares of the Company's
10 common stock were traded publicly during the Class Period on the NASDAQ. Record owners and
11 other members of the Class may be identified from records maintained by Enovix or its transfer agent
12 and may be notified of the pendency of this action by mail, using the form of notice similar to that
13 customarily used in securities class actions.

14 220. Plaintiffs' claims are typical of the claims of the members of the Class as all members
15 of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that is
16 complained of herein.

17 221. Plaintiffs will fairly and adequately protect the interests of the members of the Class
18 and have retained counsel competent and experienced in class and securities litigation. Plaintiffs have
19 no interests antagonistic to or in conflict with those of the Class.

20 222. Common questions of law and fact exist as to all members of the Class and
21 predominate over any questions solely affecting individual members of the Class. Among the
22 questions of law and fact common to the Class are:

23 (a) whether Defendants violated the federal securities laws as alleged herein;

24 (b) whether, during the Class Period, Defendants made false or misleading statements of
25 material fact to the investing public, or omitted material facts necessary to make the
26 statements made, in light of the circumstances under which they were made, not
27 misleading;
28

1 (c) whether the Defendants caused the Company to issue false and misleading SEC filings
2 and public statements during the Class Period;

3 (d) whether Defendants acted negligently, knowingly, or recklessly in issuing, or causing
4 the Company to issue, false and misleading SEC filings and public statements during
5 the Class Period;

6 (e) whether the price of the Company's common stock during the Class Period was
7 artificially inflated because of Defendants' conduct complained of herein; and

8 (f) whether the members of the Class have sustained damages and, if so, what is the proper
9 measure of damages.

10 223. Plaintiffs will rely in part upon the presumption of reliance established by the fraud-
11 on-the-market doctrine in that, among other things: (a) during the Class Period, Defendants made
12 public statements of material fact that were false, misleading, or were rendered misleading because
13 of Defendants' failure to disclose material facts necessary to prevent such statement from being
14 misleading; (b) as a result of the false and misleading statements and omissions of material fact, the
15 Company's common stock traded at artificially inflated prices during the Class Period; (c) Plaintiffs
16 and other members of the Class purchased or otherwise acquired the Company's common stock
17 relying on the integrity of the market price of the Company's common stock and market information
18 relating to the Company, and have been damaged thereby.

19 224. During the Class Period, the artificial inflation of the Company's common stock was
20 caused by Defendants' material misrepresentations and omissions as described above, causing the
21 damages sustained by Plaintiffs and the other members of the Class. Defendants' material
22 misrepresentations and omissions created an unrealistically positive assessment of the Company and
23 its business, operations, and prospects, causing the price of the Company's common stock to be
24 artificially inflated at all relevant times, including when Plaintiffs and other members of the Class
25 purchased the stock. When the truth hidden by these misrepresentations and omissions was disclosed,
26 that disclosure negatively affected the value of the Company's common stock, dissipating the
27 artificial inflation and damaging Plaintiffs and other members of the Class.

1 225. The market for the Company's common stock was an efficient market at all times
2 during the Class Period for the following reasons, among others:

- 3 (a) Defendants made public misrepresentations or failed to disclose material facts during
4 the Class Period;
- 5 (b) As a regulated issuer, the Company filed periodic public reports with the SEC;
- 6 (c) The Company regularly communicated with public investors by means of established
7 market communication mechanisms, including through regular dissemination of
8 Current Reports in their SEC filings;
- 9 (d) The Company's shares were liquid and traded with moderate to heavy volume during
10 the Class Period. On average, approximately 11.2 million shares of the Company's
11 common stock, or roughly 11.1% of Enovix's total shares outstanding, were traded
12 weekly during the Class Period, permitting a very strong presumption that its shares
13 traded on an efficient market;
- 14 (e) During the Class Period, the Company's common stock met the requirements for
15 listing, and were listed and traded on the NASDAQ, a highly efficient and automated
16 market;
- 17 (f) The Company was covered by multiple securities analysts employed by brokerage
18 firms who wrote reports about the Company, which were distributed to customers,
19 made publicly available, and entered the public marketplace;
- 20 (g) The misrepresentations and omissions alleged would tend to induce a reasonable
21 investor to misjudge the value of the Company's securities; and
- 22 (h) Unexpected material news about the Company was rapidly reflected in and
23 incorporated into the Company's securities prices during the Class Period.

24 226. Based on the foregoing, the market for the Company's common stock promptly
25 digested current information regarding the Company from all publicly available sources and reflected
26 such information in the prices of the Company's common stock shares. Under these circumstances,
27 all purchasers of the Company's common stock during the Class Period suffered similar injury
28

1 through their purchase of the Company's common stock at artificially inflated prices, and thus are
2 entitled to a presumption of reliance.

3 227. Alternatively, Plaintiffs and the Class are entitled to the presumption of reliance
4 established by the Supreme Court in *Affiliated Ute Citizens of the State of Utah v. United States*, 406
5 U.S. 128 (1972), because the Class's claims are in large part grounded on Defendants' omissions of
6 material facts in their Class Period statements in violation of Defendants' duty to disclose such facts.
7 Thus, positive proof of reliance is not a prerequisite to recovery. All that is necessary is that the facts
8 withheld were material in that a reasonable investor might have considered them important in making
9 investment decisions. Here, the misleadingly omitted facts were material, so the presumption applies.

10 228. A class action is superior to all other available methods for the fair and efficient
11 adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the
12 damages suffered by individual Class members may be relatively small, the expense and burden of
13 individual litigation make it impossible for members of the Class to individually redress the wrongs
14 done to them. There will be no difficulty in the management of this action as a class action.

15 229. The prosecution of separate actions by individual members of the Class would create
16 a risk of inconsistent or varying adjudication with respect to individual members of the Class that
17 would establish incompatible standards of conduct for the party opposing the Class.

18 **COUNT I**
19 **Violations of Section 10(b) of the Exchange Act and Rule 10b-5**
20 **(Against Defendants Enovix, Rust, and Rodgers)**

21 230. Plaintiffs repeat and reallege each and every allegation contained above as if fully set
22 forth herein.

23 231. This Count is asserted against Defendants Enovix, Rust, and Rodgers (the "10(b)
24 Defendants") and is based upon Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-
25 5 promulgated thereunder by the SEC.

26 232. During the Class Period, the 10(b) Defendants violated § 10(b) of the Exchange Act
27 and Rule 10b-5 in that they, individually and in concert, directly or indirectly, disseminated or
28 approved the false and/or misleading statements specified above, which they knew or recklessly
disregarded were false and/or misleading in that they contained misrepresentations and failed to

1 disclose material facts necessary in order to make the statements made, in light of the circumstances
2 under which they were made, not misleading.

3 233. The 10(b) Defendants violated § 10(b) of the Exchange Act and Rule 10b-5 in that
4 they: employed devices, schemes and artifices to defraud; made untrue statements of material facts
5 or omitted to state material facts necessary in order to make the statements made, in light of the
6 circumstances under which they were made, not misleading; and/or engaged in acts, practices and a
7 course of business that operated as a fraud or deceit upon Plaintiffs and others similarly situated in
8 connection with their purchases of the Company's common stock during the Class Period.

9 234. The 10(b) Defendants acted with scienter in that they knew or recklessly disregarded
10 that the public documents and statements issued or disseminated in the name of the Company were
11 materially false and misleading; knew or recklessly disregarded that such statements or documents
12 would be issued or disseminated to the investing public; and knowingly and substantially participated,
13 or acquiesced in the issuance or dissemination of such statements or documents as primary violations
14 of the securities laws. These defendants by virtue of their receipt of information reflecting the true
15 facts of the Company, their control over, and/or receipt and/or modification of the Company's
16 allegedly materially misleading statements, and/or their associations with the Company which made
17 them privy to confidential proprietary information concerning the Company, participated in the
18 fraudulent scheme alleged herein.

19 235. Defendants Rust and Rodgers, the senior officers and directors of the Company, had
20 actual knowledge of the material omissions and/or the falsity of the material statements set forth
21 above, and intended to deceive Plaintiffs and other members of the Class, or, in the alternative, acted
22 with reckless disregard for the truth when they failed to ascertain and disclose the true facts in the
23 statements made by them or other personnel of the Company to members of the investing public,
24 including Plaintiffs and Class.

25 236. As a result of the foregoing, the market price of the Company's common stock was
26 artificially inflated during the Class Period. In ignorance of the falsity of Defendants' statements,
27 Plaintiffs and members of the Class relied on the statements described above and/or the integrity of
28 the market price of the Company's common stock during the Class Period in purchasing the

1 Company's common stock at prices that were artificially inflated as a result of the 10(b) Defendants'
2 false and misleading statements and omissions.

3 237. Had Plaintiffs and members of the Class been aware that the market price of the
4 Company's common stock had been artificially inflated by the 10(b) Defendants' false and
5 misleading statements and by the material adverse information which they did not disclose, they
6 would not have purchased the Company's common stock at the artificially inflated prices that they
7 did, or at all.

8 238. As a result of the wrongful conduct alleged herein, Plaintiffs and members of the Class
9 have suffered damages in an amount to be established at trial.

10 239. By reason of the foregoing, Enovix, Rust, and Rodgers have violated Section 10(b) of
11 the Exchange Act and Rule 10b-5 promulgated thereunder and are liable to Plaintiffs and members
12 of the Class for substantial damages which they suffered in connection with their purchases of the
13 Company's common stock during the Class Period.

14 **COUNT II**

15 **Violations of Section 20(a) of the Exchange Act** 16 **(Against the Individual Defendants)**

17 240. Plaintiffs repeat and reallege each and every allegation contained above as if fully set
18 forth herein.

19 241. During the Class Period, the Individual Defendants participated in the operation and
20 management of the Company, and conducted and participated, directly and indirectly, in the conduct
21 of the Company's business affairs. Because of their senior positions, they knew the adverse non-
22 public information regarding the Company's business practices.

23 242. As officers and directors of a publicly owned company, the Individual Defendants had
24 a duty to disseminate accurate and truthful information with respect to the Company's financial
25 condition and results of operations, and to correct promptly any public statements issued by the
26 Company which had become materially false or misleading.

27 243. Because of their positions of control and authority as senior officers, the Individual
28 Defendants were able to, and did, control the contents of the public filings which the Company
disseminated in the marketplace during the Class Period. Throughout the Class Period, the Individual

Defendants exercised their power and authority to cause the Company to engage in the wrongful acts complained of herein. The Individual Defendants therefore, were “controlling persons” of the Company within the meaning of Section 20(a) of the Exchange Act. In this capacity, they participated in the unlawful conduct alleged which artificially inflated the market price of the Company’s common stock.

244. The Individual Defendants exercised control over the general operations of the Company and possessed the power to control the specific activities which comprise the primary violations about which Plaintiffs and the other members of the Class complain.

245. By reason of the above conduct, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act for the violations committed by the Company.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs, on behalf of themselves and the Class, pray for relief and judgment, as follows:

A. Determining that this action may be maintained as a class action under Rule 23 of the Federal Rules of Civil Procedure, designating Plaintiffs as class representatives and Plaintiffs’ counsel as class counsel;

B. Awarding damages in favor of Plaintiffs and the other Class members against all Defendants, jointly and severally, for all damages sustained as a result of Defendants’ wrongdoing, in an amount to be proven at trial, including interest thereon;

C. Awarding Plaintiffs and the Class prejudgment and post-judgment interest and their reasonable costs and expenses incurred in prosecuting this action, including reasonable attorneys’ fees and expert fees; and

D. Awarding such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiffs hereby demand a trial by jury.

Dated: March 19, 2024

Respectfully submitted,

THE ROSEN LAW FIRM, P.A.

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